

# **KERN COMMUNITY COLLEGE DISTRICT**

Audit Report

## **ENROLLMENT FEE COLLECTION AND WAIVERS PROGRAM**

Education Code Section 76300; and Title 5,  
*California Code of Regulations*, sections 58501-58503,  
58611-58613, 58620, and 58630

*July 1, 1998, through June 30, 2011*



**JOHN CHIANG**  
California State Controller

June 2014



**JOHN CHIANG**  
**California State Controller**

June 10, 2014

John Rodgers, President  
Board of Trustees  
Kern Community College District  
2100 Chester Avenue  
Bakersfield, CA 93301

Dear Mr. Rodgers:

The State Controller's Office audited the costs claimed by the Kern Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code Section 76300; and Title 5, *California Code of Regulations*, sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 1998, through June 30, 2011.

The district claimed \$8,590,263 for the mandated program. Our audit found that \$48,184 is allowable and \$8,542,079 is unallowable. The costs are unallowable because the district claimed estimated costs that were not supported by source documentation; claimed ineligible time; misstated student enrollment numbers; misstated the number of Board of Governor's Grants (BOGG) fee waivers; misstated indirect cost rates; claimed unallowable indirect costs; misstated eligible offsetting revenues; and misstated employee productive hourly rates. The State paid the district \$18,829. Allowable costs claimed exceed the amount paid by \$29,355.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/mh

cc: Sandra V. Serrano, Chancellor  
Chancellor's Office  
Kern Community College District  
Arlitha Williams-Harmon  
Director of Finance and Administrative Services  
Business Services and Facilities  
Kern Community College District  
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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Kern Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code Section 76300; and Title 5, *California Code of Regulations*, sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 1998, through June 30, 2011.

The district claimed \$8,590,263 for the mandated program. Our audit found that \$48,184 is allowable and \$8,542,079 is unallowable. The costs are unallowable because the district claimed estimated costs that were not supported by source documentation; claimed ineligible time; misstated student enrollment numbers; misstated the number of Board of Governor's Grants (BOGG) fee waivers; misstated indirect cost rates; claimed unallowable indirect costs; misstated eligible offsetting revenues; and misstated employee productive hourly rates. The State paid the district \$18,829. Allowable costs claimed exceed the amount paid by \$29,355.

## Background

Education Code section 76300; and Title 5, *California Code of Regulations*, sections 58501-58503, 58611-58613, 58620, and 58630 authorize community college districts to calculate and collect student enrollment fees and to waive student fees in certain instances. The codes also direct community college districts to report the number of, and amounts provided for Board of Governor's Grants and to adopt procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5, *California Code of Regulations*.

The sections were added and/or amended by:

- Chapters 1, 274 and 1401, Statutes of 1984
- Chapters 920 and 1454, Statutes of 1985
- Chapters 46 and 395, Statutes of 1986
- Chapter 1118, Statutes of 1987
- Chapter 136, Statutes of 1989
- Chapter 114, Statutes of 1991
- Chapter 703, Statutes of 1992
- Chapters 8, 66, 67, and 1124, Statutes of 1993
- Chapters 153 and 422, Statutes of 1994
- Chapters 63 and 308, Statutes of 1996
- Chapter 72, Statutes of 1999

On April 24, 2003, the Commission on State Mandates (CSM) adopted the statement of decision for the Enrollment Fee Collection and Waivers Program. The CSM found that the test claim legislation constitutes a new program or higher level of service and imposes a reimbursable state-mandated program on community college districts within the meaning of Article XIII B, Section 6 of the California Constitution and Government Code section 17514.

The CSM found that the following activities are reimbursable:

- Calculating and collecting the student enrollment fee for each student enrolled except for nonresidents, and except for special part-time students cited in section 76300, subdivision (f).
- Waiving student fees in accordance with the groups listed in Education Code section 76300, subdivisions (g) and (h).
- Waiving fees for students who apply for and are eligible for BOGG fee waivers.
- Reporting to the Community Colleges Chancellor the number of and amounts provided for BOGG fee waivers.
- Adopting procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5 of the *California Code of Regulations*; and including in the procedures the rules for retention of support documentation which will enable an independent determination regarding accuracy of the district's certification of need for financial assistance.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Enrollment Fee Collection and Waivers Program for the period of July 1, 1998, through June 30, 2011.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Kern Community College District claimed \$8,590,263 for costs of the Enrollment Fee Collection and Waivers Program. Our audit found that \$48,184 is allowable and \$8,542,079 is unallowable.

For the fiscal year (FY) 1998-99 claim, the State paid the district \$18,829. Our audit found that all costs claimed are unallowable. The State will offset \$18,829 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 1999-2000 through FY 2010-11 claims, the State made no payments to the district. Our audit found that \$48,184 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$48,184, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on May 2, 2014, Thomas Burke, Chief Financial Officer, responded by letter dated May 27, 2014 (Attachment), stating that the district will not be submitting a response to the draft audit report. The final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the Kern Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

June 10, 2014

# Schedule 1— Summary of Program Costs July 1, 1998, through June 30, 2011

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 122,695	\$ 29,707	\$ (92,988)	Findings 3, 11
Total direct costs	122,695	29,707	(92,988)	
Indirect costs	82,046	7,813	(74,233)	Finding 9
Total direct and indirect costs	204,741	37,520	(167,221)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(38,351)	(51,529)	(13,178)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	14,009	14,009	Finding 10
Total program costs	<u>\$ 166,390</u>	—	<u>\$ (166,390)</u>	
Less amount paid by the State		(18,829)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (18,829)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 169,366	\$ 40,785	\$ (128,581)	Findings 3, 11
Total direct costs	169,366	40,785	(128,581)	
Indirect costs	93,575	9,792	(83,783)	Finding 9
Total direct and indirect costs	262,941	50,577	(212,364)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(37,640)	(45,905)	(8,265)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	—	—	
Total enrollment fee collection	<u>225,301</u>	<u>4,672</u>	<u>(220,629)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	1,094	1,094	—	
Staff training	1,722	1,722	—	
Adopt procedures, record and maintain records	3,145	3,145	—	
Waiving student fees	144,155	18,640	(125,515)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	7,537	1,456	(6,081)	Finding 8
Total direct costs	157,653	26,057	(131,596)	
Indirect costs	87,105	6,256	(80,849)	



**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000 (continued)</u>				
Total direct and indirect costs	244,758	32,313	(212,445)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(157,654)	(171,389)	(13,735)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	139,076	139,076	Finding 10
Total enrollment fee waivers	87,104	—	(87,104)	
Total program costs	<u>\$ 312,405</u>	4,672	<u>\$ (307,733)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,672</u>		
<u>July 1, 2000, through June 30, 2001</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 163,539	\$ 43,313	\$ (120,226)	Findings 3, 11
Total direct costs	163,539	43,313	(120,226)	
Indirect costs	83,797	9,589	(74,208)	Finding 9
Total direct and indirect costs	247,336	52,902	(194,434)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(43,809)	(45,949)	(2,140)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	—	—	
Total enrollment fee collection	203,527	6,953	(196,574)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	1,086	1,086	—	
Staff training	1,475	1,475	—	
Adopt procedures, record and maintain records	2,722	2,722	—	
Waiving student fees	168,677	20,945	(147,732)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	6,404	1,456	(4,948)	Finding 8
Total direct costs	180,364	27,684	(152,680)	
Indirect costs	92,418	6,129	(86,289)	Finding 9
Total direct and indirect costs	272,782	33,813	(238,969)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(180,364)	(189,646)	(9,282)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	155,833	155,833	Finding 10
Total enrollment fee waivers	92,418	—	(92,418)	
Total program costs	<u>\$ 295,945</u>	6,953	<u>\$ (288,992)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,953</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 202,054	\$ 55,660	\$ (146,394)	Findings 3, 11
Total direct costs	202,054	55,660	(146,394)	
Indirect costs	100,279	12,657	(87,622)	Finding 9
Total direct and indirect costs	302,333	68,317	(234,016)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(36,360)	(45,471)	(9,111)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	—	—	
Total enrollment fee collection	265,973	22,846	(243,127)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	1,040	1,040	—	
Staff training	1,168	1,168	—	
Adopt procedures, record and maintain records	2,689	2,689	—	
Waiving student fees	229,421	38,935	(190,486)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	7,776	1,456	(6,320)	Finding 8
Total direct costs	242,094	45,288	(196,806)	
Indirect costs	120,151	10,298	(109,853)	Finding 9
Total direct and indirect costs	362,245	55,586	(306,659)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(242,015)	(170,612)	71,403	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	115,026	115,026	Finding 10
Total enrollment fee waivers	120,230	—	(120,230)	
Total program costs	\$ 386,203	22,846	\$ (363,357)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 22,846		
<u>July 1, 2002, through June 30, 2003</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 218,041	\$ 46,519	\$ (171,522)	Findings 3, 11
Total direct costs	218,041	46,519	(171,522)	
Indirect costs	106,709	10,267	(96,442)	Finding 9
Total direct and indirect costs	324,750	56,786	(267,964)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(37,849)	(43,073)	(5,224)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	—	—	Finding 10
Total enrollment fee collection	286,901	13,713	(273,188)	

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	959	959	—	
Staff training	1,198	1,198	—	
Adopt procedures, record and maintain records	2,652	2,652	—	
Waiving student fees	269,131	73,225	(195,906)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	7,992	1,682	(6,310)	Finding 8
Total direct costs	281,932	79,716	(202,216)	
Indirect costs	137,978	17,593	(120,385)	Finding 9
Total direct and indirect costs	419,910	97,309	(322,601)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(281,932)	(178,722)	103,210	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	81,413	81,413	Finding 10
Total enrollment fee waivers	137,978	—	(137,978)	
Total program costs	<u>\$ 424,879</u>	13,713	<u>\$ (411,166)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 13,713</u>		
<u>July 1, 2003, through June 30, 2004</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	<u>\$ 253,947</u>	<u>\$ 50,855</u>	<u>\$ (203,092)</u>	Findings 3, 11
Total direct costs	253,947	50,855	(203,092)	
Indirect costs	100,131	12,439	(87,692)	Finding 9
Total direct and indirect costs	354,078	63,294	(290,784)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(90,847)	(66,442)	24,405	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	3,148	3,148	Finding 10
Total enrollment fee collection	263,231	—	(263,231)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	981	981	—	
Staff training	1,669	1,669	—	
Adopt procedures, record and maintain records	1,549	1,549	—	
Waiving student fees	294,711	80,070	(214,641)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	6,297	1,682	(4,615)	Finding 8
Total direct costs	305,207	85,951	(219,256)	
Indirect costs	120,345	21,024	(99,321)	Finding 9

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004 (continued)</u>				
Total direct and indirect costs	425,552	106,975	(318,577)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(301,541)	(288,128)	13,413	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	181,153	181,153	Finding 10
Total enrollment fee waivers	124,011	—	(124,011)	
Total program costs	<u>\$ 387,242</u>	—	<u>\$ (387,242)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2004, through June 30, 2005</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 254,577	\$ 59,093	\$ (195,484)	Findings 3, 11
Total direct costs	254,577	59,093	(195,484)	
Indirect costs	109,188	23,389	(85,799)	Finding 9
Total direct and indirect costs	363,765	82,482	(281,283)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(139,386)	(97,768)	41,618	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	15,286	15,286	Finding 10
Total enrollment fee collection	224,379	—	(224,379)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	839	839	—	
Staff training	1,885	1,885	—	
Adopt procedures, record and maintain records	1,678	1,678	—	
Waiving student fees	301,359	92,865	(208,494)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	5,322	2,016	(3,306)	Finding 8
Total direct costs	311,083	99,283	(211,800)	
Indirect costs	133,424	39,296	(94,128)	Finding 9
Total direct and indirect costs	444,507	138,579	(305,928)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(311,083)	(350,442)	(39,359)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	211,863	211,863	Finding 10
Total enrollment fee waivers	133,424	—	(133,424)	
Total program costs	<u>\$ 357,803</u>	—	<u>\$ (357,803)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 537,864	\$ 47,140	\$ (490,724)	Findings 3, 11
Total direct costs	537,864	47,140	(490,724)	
Indirect costs	214,662	18,583	(196,079)	Finding 9
Total direct and indirect costs	752,526	65,723	(686,803)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(132,491)	(99,312)	33,179	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	33,589	33,589	Finding 10
Total enrollment fee collection	620,035	—	(620,035)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	255	255	—	
Staff training	1,179	1,179	—	
Adopt procedures, record and maintain records	—	1,163	1,163	Finding 6
Waiving student fees	338,327	94,325	(244,002)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	459	2,016	1,557	Finding 8
Total direct costs	340,220	98,938	(241,282)	
Indirect costs	135,782	39,001	(96,781)	Finding 9
Total direct and indirect costs	476,002	137,939	(338,063)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(340,220)	(322,119)	18,101	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	184,180	184,180	Finding 10
Total enrollment fee waivers	135,782	—	(135,782)	
Total program costs	\$ 755,817	—	\$ (755,817)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ —		
<u>July 1, 2006, through June 30, 2007</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 713,809	\$ 35,634	\$ (678,175)	Findings 3, 11
Total direct costs	713,809	35,634	(678,175)	
Indirect costs	302,155	15,016	(287,139)	Finding 9
Total direct and indirect costs	1,015,964	50,650	(965,314)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(136,298)	(93,929)	42,369	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	43,279	43,279	Finding 10
Total enrollment fee collection	879,666	—	(879,666)	

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Adopt procedures, record and maintain records	—	1,195	1,195	Finding 6
Waiving student fees	185,551	93,125	(92,426)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	—	2,016	2,016	Finding 8
Total direct costs	185,551	96,336	(89,215)	
Indirect costs	78,544	40,596	(37,948)	Finding 9
Total direct and indirect costs	264,095	136,932	(127,163)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(185,551)	(343,771)	(158,220)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	206,839	206,839	Finding 10
Total enrollment fee waivers	78,544	—	(78,544)	
Total program costs	<u>\$ 958,210</u>	—	<u>\$ (958,210)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2007, through June 30, 2008</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 772,200	\$ 46,358	\$ (725,842)	Findings 3, 11
Total direct costs	772,200	46,358	(725,842)	
Indirect costs	326,872	21,515	(305,357)	Finding 9
Total direct and indirect costs	1,099,072	67,873	(1,031,199)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(107,062)	(85,290)	21,772	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	17,417	17,417	Finding 10
Total enrollment fee collection	992,010	—	(992,010)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Adopt procedures, record and maintain records	—	1,209	1,209	Finding 6
Waiving student fees	193,473	104,025	(89,448)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	—	2,016	2,016	Finding 8
Total direct costs	193,473	107,250	(86,223)	
Indirect costs	81,897	49,775	(32,122)	Finding 9
Total direct and indirect costs	275,370	157,025	(118,345)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(193,473)	(317,544)	(124,071)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	160,519	160,519	Finding 10

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008 (continued)</u>				
Total enrollment fee waivers	81,897	—	(81,897)	
Total program costs	<u>\$ 1,073,907</u>	—	<u>\$(1,073,907)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2008, through June 30, 2009</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 8,722	\$ —	\$ (8,722)	Finding 1
Staff training	17,194	—	(17,194)	Finding 2
Calculating and collecting enrollment fees	750,016	57,270	(692,746)	Findings 3, 11
Total direct costs	775,932	57,270	(718,662)	
Indirect costs	358,713	25,726	(332,987)	Finding 9
Total direct and indirect costs	1,134,645	82,996	(1,051,649)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(102,225)	(92,094)	10,131	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	9,098	9,098	Finding 10
Total enrollment fee collection	<u>1,032,420</u>	<u>—</u>	<u>(1,032,420)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	8,962	—	(8,962)	Finding 4
Staff training	10,617	—	(10,617)	Finding 5
Adopt procedures, record and maintain records	100,457	1,471	(98,986)	Finding 6
Waiving student fees	189,038	107,889	(81,149)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	71,571	2,200	(69,371)	Finding 8
Total direct costs	380,645	111,560	(269,085)	
Indirect costs	175,972	50,113	(125,859)	Finding 9
Total direct and indirect costs	556,617	161,673	(394,944)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(151,374)	(314,282)	(162,908)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	152,609	152,609	Finding 10
Total enrollment fee waivers	<u>405,243</u>	<u>—</u>	<u>(405,243)</u>	
Total program costs	<u>\$ 1,437,663</u>	—	<u>\$(1,437,663)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 824,688	\$ 59,338	\$ (765,350)	Findings 3, 11
Total direct costs	824,688	59,338	(765,350)	
Indirect costs	381,253	26,506	(354,747)	Finding 9
Total direct and indirect costs	1,205,941	85,844	(1,120,097)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(98,606)	(99,098)	(492)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	13,254	13,254	Finding 10
Total enrollment fee collection	1,107,335	—	(1,107,335)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Adopt procedures, record and maintain records	—	1,348	1,348	Finding 6
Waiving student fees	301,383	131,430	(169,953)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	—	2,200	2,200	Finding 8
Total direct costs	301,383	134,978	(166,405)	
Indirect costs	139,330	60,295	(79,035)	Finding 9
Total direct and indirect costs	440,713	195,273	(245,440)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(436,194)	(349,790)	86,404	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	154,517	154,517	Finding 10
Total enrollment fee waivers	4,519	—	(4,519)	
Total program costs	\$ 1,111,854	—	\$(1,111,854)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ —		
<u>July 1, 2010, through June 30, 2011</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 693,328	\$ 57,290	\$ (636,038)	Findings 3, 11
Total direct costs	693,328	57,290	(636,038)	
Indirect costs	319,346	25,964	(293,382)	Finding 9
Total direct and indirect costs	1,012,674	83,254	(929,420)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(90,729)	(91,466)	(737)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	8,212	8,212	Finding 10
Total enrollment fee collection	921,945	—	(921,945)	



**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2010, through June 30, 2011 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Adopt procedures, record and maintain records	—	1,331	1,331	Finding 6
Waiving student fees	262,800	149,080	(113,720)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	—	2,200	2,200	Finding 8
Total direct costs	262,800	152,611	(110,189)	
Indirect costs	121,046	69,163	(51,883)	Finding 9
Total direct and indirect costs	383,846	221,774	(162,072)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(383,846)	(370,362)	13,484	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	148,588	148,588	Finding 10
Total enrollment fee waivers	—	—	—	
Total program costs	<u>\$ 921,945</u>	—	<u>\$ (921,945)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 1998, through June 30, 2011</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 8,722	\$ —	\$ (8,722)	Finding 1
Staff training	17,194	—	(17,194)	Finding 2
Calculating and collecting enrollment fees	5,676,124	628,962	(5,047,162)	Findings 3, 11
Total direct costs	5,702,040	628,962	(5,073,078)	
Indirect costs	2,578,726	219,256	(2,359,470)	Finding 9
Total direct and indirect costs	8,280,766	848,218	(7,432,548)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(1,091,653)	(957,326)	134,327	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	157,292	157,292	Finding 10
Total enrollment fee collection	<u>7,189,113</u>	<u>48,184</u>	<u>(7,140,929)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	15,216	6,254	(8,962)	Finding 4
Staff training	20,913	10,296	(10,617)	Finding 5
Adopt procedures, record and maintain records	114,892	22,152	(92,740)	Finding 6
Waiving student fees	2,878,026	1,004,554	(1,873,472)	Findings 7, 11
Reporting BOGG fee waiver data to CCCCCO	113,358	22,396	(90,962)	Finding 8
Total direct costs	3,142,405	1,065,652	(2,076,753)	
Indirect costs	<u>1,423,992</u>	<u>409,539</u>	<u>(1,014,453)</u>	Finding 9

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>Summary: July 1, 1998, through June 30, 2011</u> <u>(continued)</u>				
Total direct and indirect costs	4,566,397	1,475,191	(3,091,206)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(3,165,247)	(3,366,807)	(201,560)	Finding 10
Adjustment for unused portion of offsets <sup>2</sup>	—	1,891,616	1,891,616	Finding 10
Total enrollment fee waivers	1,401,150	—	(1,401,150)	
Total costs	8,590,263	48,184	(8,542,079)	
Less late filing penalty <sup>3</sup>	—	—	—	
Total program costs	<u>\$ 8,590,263</u>	48,184	<u>\$(8,542,079)</u>	
Less amount paid by the State		(18,829)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 29,355</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Offsetting savings and reimbursements are limited to total allowable direct and indirect costs, and are calculated separately for enrollment fee collection and enrollment fee waivers.

<sup>3</sup> The district's claims included \$30,000 in late penalties (\$10,000 for FY 2006-07, \$10,000 for FY 2008-09, and \$10,000 for FY 2009-10). The SCO assesses the penalty on allowable costs for claims filed after the filing deadline specified in the Controller's claiming instructions. FY 2006-07, and FY 2008-09 through FY 2009-10 claims were annual reimbursement claims filed after the filing deadline and subject to the late penalty, specified in Government Code section 17568, equal to 10% of allowable costs, not to exceed \$10,000. However, the late filing penalties for these years is \$0 because there were no allowable costs.

# Findings and Recommendations

**FINDING 1—  
Enrollment Fee  
Collection: Preparing  
Policies and  
Procedures Cost  
Component –  
unallowable one-time  
costs**

The district claimed only \$8,722 in salaries and benefits for fiscal year (FY) 2008-09 during the audit period for the one-time activity of preparing district policies and procedures for the collection of enrollment fees. We found that all of the costs claimed are unallowable.

Costs claimed for FY 2008-09 are unallowable because the costs are based on estimates of time spent by district staff to perform the reimbursable activity. The costs claimed were based on 135 hours spent by fourteen district staff to perform the reimbursable activity, although nine of the staff worked in the Financial Aid Department. District staff in that office did not perform the activities of collecting enrollment fees from students during the audit period. In addition, the district did not provide any information explaining what district policies and procedures were prepared. For costs to be reimbursable, the district must provide actual cost documentation supporting the extent to which it incurred costs for preparing district policies and procedures.

The program's parameters and guidelines (section IV–Reimbursable Activities) state: "To be eligible for mandated cost reimbursement, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records, time logs, sign-in sheets, invoices, and receipts."

The parameters and guidelines state that salaries and benefits are eligible for reimbursement. Claimants must report each employee implementing the reimbursable activities by name, job classification, productive hourly rate; and describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines (section IV.A.1.a–Reimbursable Activities, Enrollment Fee Collection–One-Time Activities–Policies and Procedures) state that the preparation of policies and procedures is reimbursable as a one-time activity for collection of enrollment fees.

## Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 2—  
Enrollment Fee  
Collection: Training  
Cost Component –  
unallowable one-time  
costs**

The district claimed only \$17,194 in salaries and benefits for FY 2008-09 during the audit period for the one-time activity of staff training (one-time per employee) for district staff who implement the program on the procedures for the collection of enrollment fees. We found that all of the costs claimed are unallowable.

Costs claimed for FY 2008-09 are unallowable because the costs are based on estimates of time spent by district staff to perform the reimbursable activity. The costs claimed were based on 380 hours spent by twenty-one district staff to perform the reimbursable activity, although thirteen staff worked in the Financial Aid Department. District staff in that office did not perform the activities of collecting enrollment fees from students during the audit period. In addition, the district did not provide documentation related to the nature of the training provided, the length of the training, which district employees attended the training, or whether any of the costs related to trainers' time. For costs to be reimbursable, the district must document the extent to which it incurred costs for training new district staff who implement the program on the procedures for the collection of enrollment fees.

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were “created at or near the same time the actual cost was incurred for the event or activity in question.” (See Finding 1 for the specific language).

The parameters and guidelines (section IV.A.1.b–Reimbursable Activities–Enrollment Fee Collection–One-Time Activities–Staff Training (one time per employee) state that staff training is reimbursable as a one-time cost per employee for training district staff who implement the program on the procedures for the collection of enrollment fees. Consistent with the Final Staff Analysis for policies and procedures, training existing staff for changes in the community college district's policies and procedures is not reimbursable.

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 3—  
Enrollment Fee  
Collection:  
Calculating and  
Collecting Enrollment  
Fees cost component –  
unallowable ongoing  
costs**

The district claimed \$5,676,124 in salaries and benefits for the Calculating and Collecting Enrollment Fees cost component during the audit period. We found that \$628,962 is allowable and \$5,047,162 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities. In addition, we noted variations in the number of students used in the district's calculations, based on the student enrollment data reported to us by the California Community College Chancellor's Office (CCCCO); and the number of students who paid their enrollment fees online rather than in person, based on information provided to us by the district. We made adjustments to the student enrollment data and to the average productive hourly rates used in the district's claims.

The following table summarizes the overstated ongoing costs related to calculating and collecting enrollment fees by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1998-99	\$ 122,695	\$ 29,707	\$ (92,988)
1999-00	169,366	40,785	(128,581)
2000-01	163,539	43,313	(120,226)
2001-02	202,054	55,660	(146,394)
2002-03	218,041	46,519	(171,522)
2003-04	253,947	50,855	(203,092)
2004-05	254,577	59,093	(195,484)
2005-06	537,864	47,140	(490,724)
2006-07	713,809	35,634	(678,175)
2007-08	772,200	46,358	(725,842)
2008-09	750,016	57,270	(692,746)
2009-10	824,688	59,338	(765,350)
2010-11	693,328	57,290	(636,038)
Total, salaries and benefits	<u>\$ 5,676,124</u>	<u>\$ 628,962</u>	<u>\$ (5,047,162)</u>

The parameters and guidelines (section IV.A.2) allow ongoing activities related to costs for calculating and collecting the student enrollment fee for each student enrolled, with the exception of nonresidents and special part-time students cited in Government Code section 76300, subdivision(f), for the following six reimbursable activities:

- i. Referencing student accounts and records to determine course workload, status of payments, and eligibility for fee waiver. Printing a list of enrolled courses. **(Activity 1)**
- ii. Calculating the total enrollment fee to be collected. Identifying method of payment. Collecting cash and making change as necessary. Processing credit card and other non-cash payment transactions (however, any fees that may be charged to a community college district by a credit card company or bank are not reimbursable). Preparing a receipt for a payment received. **(Activity 2)**

- iii. Answering student's questions regarding enrollment fee collection or referring them to the appropriate person for an answer. **(Activity 3)**
- iv. Updating written and computer records for the enrollment fee information and providing a copy to the student. Copying and filing enrollment fee documentation. **(Activity 4)**
- v. Collecting delinquent enrollment fees, including written or telephonic collection notices to students, turning accounts over to collection agencies, or small claims court action. **(Activity 5)**
- vi. vi. For students who establish fee waiver eligibility after the enrollment fee has been collected, providing a refund or enrollment fees paid and updating student and district records as required. (Refund process for change in program is not reimbursable). **(Activity 6)**

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were “created at or near the same time the actual cost was incurred for the event or activity in question.” (See Finding 1 for the specific language).

### **Salaries and Benefits**

For FY 1998-99 through FY 2010-11, the district claimed salaries and benefits for the six reimbursable activities under the Calculating and Collecting Enrollment Fees cost component using time allowances developed from the estimated time it took staff to complete various activities through the use of employees' annual survey forms. Employees estimated the average time in minutes it took them to perform the six reimbursable activities per student per year on certification forms developed by the district's mandated cost consultant. District staff who completed the survey forms for enrollment fee collection activities included employees in the Financial Aid Office and Admissions and Records Department. However, staffs in these departments do not perform the activities of collecting enrollment fees from students. To compute the average time increment claimed for each of the six reimbursable activities, the district added all of the employee's time estimates together and divided the total by the number of employees who provided estimates. The district did not provide any source documentation based on actual data to support the estimated time allowances. In addition, the district provided no evidence indicating that the average time increments were verified for reasonableness.

The following table summarizes the minutes claimed for reimbursable Activities 1 through 6:

Reimbursable Activity	Claimed								FY 2006-07 and		FY 2009-10 and
	FY 1998-99	FY 1999-2000	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2007-08	FY 2008-09	FY 2010-11
1 Referencing Students Accounts	4.10	4.30	4.20	4.10	4.40	4.50	4.60	5.50	5.50	6.00	6.00
2 Calculating the Fee	4.30	4.30	4.00	4.10	4.20	4.60	4.60	6.00	6.00	-	6.10
3 Answering Questions	3.20	3.70	3.50	3.30	3.50	3.80	4.00	4.70	4.70	4.90	4.90
4 Updating Records	3.20	3.30	3.30	2.90	3.20	3.20	3.10	3.70	3.70	4.60	4.60
Subtotal, Activities 1-4	14.80	15.60	15.00	14.40	15.30	16.10	16.30	19.90	19.90	15.50	21.60
5 Collecting Delinquent Fees	5.10	4.70	4.30	4.50	4.90	4.80	5.20	18.25	-	-	-
6 Providing Refunds	5.40	4.90	4.50	5.10	5.60	5.70	6.30	6.20	-	-	-
Subtotal, Activities 5 and 6	10.50	9.60	8.80	9.60	10.50	10.50	11.50	24.45	-	-	-
Total Time Increments Claimed for Activities 1-6	25.30	25.20	23.80	24.00	25.80	26.60	27.80	44.35	19.90	15.50	21.60

As the mandated activities took place at the district during the audit period, we assessed whether or not the time estimates cited by district staff for FY 1998-99 through FY 2010-11 were reasonable. We held discussions with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Business Services Office that collects enrollment fees from students and documented the average time increments spent by district staff to perform these activities based on our observations.

In applying the time allowances, the district did not report the correct number of students related to the various reimbursable activities. We recalculated reimbursable activities using the correct number of students (multiplier). We also made adjustments to the average productive hourly rates that were used in the district's claims. Based on this information, we found that the district overstated salaries and benefits by \$5,047,162 for the audit period.

**Activities 1 through 4**—Activity 1-Referencing student accounts, Activity 2-Calculating and collecting the fee, Activity 3-Answering students' questions, Activity 4-Updating student records

#### *Time Increments*

Using certification forms developed by the district's mandated cost consultant, district employees estimated the time required to perform the reimbursable activities. Based on these certifications, the district developed the following time allowances per student: 14.80 minutes for its FY 1998- 99 claim, 15.60 minutes for its FY 1999-2000 claim, 15.00 minutes for its 2000-01 claim, 14.40 minutes for its FY 2001-02 claim, 15.30 minutes for its FY 2002-03 claim, 16.10 minutes for its FY 2003-04 claim, 16.30 minutes for its FY 2004-05 claim, 19.90 minutes for its FY 2005-06 through FY 2007-08 claims, 15.50 minutes for its FY 2008-09 claim, and 22.60 minutes for its FY 2009-10 and FY 2010-11 claims. Based on our observations, we found that the time allowances claimed for these activities for these years were overstated.

We held discussions with various district representatives during the audit in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Business Service Office performing the reimbursable activities as well as other non-mandated activities. Over several days, we observed 345 payment transactions processed by district staff. Of these, 112 involved the payment of enrollment fees encompassing Activities 1 through 4 totaling 229.01 minutes. The average time to perform all four activities was 2.04 minutes, or 0.51 minutes per activity.

We discussed with district representatives our intention to observe a sample of staff performing Activities 1 through 4 and we encouraged the Accounting Manager to watch over the auditors while we documented our observations. We documented the average time increments spent by district staff to perform the reimbursable activities based on our observations. We reviewed the observations as they took place with the Accounting Manager, who acknowledged that the claimed time increments were high because the district staff did not know how each individual time estimate was being combined and used. He explained that neither he, nor his staff, understood that each estimate was being combined and that the total was used to represent the time required to perform the reimbursable activities associated with the collection of enrollment fees from students.

#### *Multiplier Calculation*

##### Claimed

For Activities 1 through 4, the district claimed costs by multiplying the number of students (multiplier) by a uniform time allowance and an annual average productive hourly rate.

For FY 1998-99 through FY 2004-05, the district used the number of students who paid enrollment fees for Activities 1, 2, and 4. The district provided Enrollment Statistics Report summaries with the claims. However, we were unable to determine the actual methodology used by the district or the source of the statistics used to compute the multipliers. The Director of Business Services compiled these reports for FY 1998-99 through FY 2005-06 while the Accounting Manager prepared the same summary reports for FY 2006-07 through FY 2010-11. For Activity 3, the district used the number of total enrolled students as the multiplier. In determining student enrollment, the district used the "Student Total Headcount" summary report obtained from the CCCC's website. However, this report includes duplicated students by term. The district did not deduct ineligible non-resident and special admit students (students who attend a community college while in high school pursuant to Education Code section 76001).

For FY 2005-06 through FY 2010-11, the district changed its methodology for the calculation of the multiplier. For Activities 1 and 3, the district used the number of total enrolled students as the multiplier. In determining student enrollment, the district used the "Student Total



Headcount” summary report obtained from the CCCCCO’s website. For Activities 2 and 4, the district used the “Student Total Headcount” summary report obtained from the CCCCCO’s website (as described above) and excluded a variety of statistics that included students “exempt from paying fees,” the number of BOGG fee waivers claimed, the number of delinquent enrollment fees, and/or the number of refunds processed.

#### Allowable

We updated the district’s calculations of eligible students for Activities 1 and 3 based on the number of students enrolled as reported to the CCCCCO, less non-resident students and special admit students. The CCCCCO’s management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCCO identifies the district’s enrollment based on CCCCCO’s MIS data element STD 7, codes A through G. The CCCCCO eliminates any duplicate students by term based on their Social Security number.

We also updated the district’s calculations of eligible students for Activities 2 and 4 by deducting the number of BOGG recipients from reimbursable student enrollment confirmed by the CCCCCO. The CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F. In addition, we added the number of refunds claimed for students who paid their enrollment fees and were subsequently granted a BOGG fee waiver, and deducted students who paid their enrollment fees through the district’s online system.

The district provided a breakdown of the enrollment fees paid using the district’s online system and in person from FY 1998-99 through FY 2010-11. Based on the information provided by the district, we found the percentage of enrollment fees paid in person at the Businesses Services Office by dividing the fees paid in person by the total fees paid. We applied the percentage we calculated to the net enrollment number (the number of students enrolled less non-resident students, special admit students, and BOGG fee waiver recipients) to compute the number of enrollment fees paid in person. We then included the number of refunds claimed for students who paid their enrollment fees and were subsequently granted a BOGG fee waiver.

#### *Productive Hourly Rates*

We also found that the district overstated the average productive hourly rates used for Activity 1 through 4 in its claims for the audit period. The district’s average productive hourly rate calculations excluded some staff who performed the reimbursable activities. We found that the calculations excluded staff (Student Hourly Workers) because they did not receive and complete a time survey form. In addition, the district’s average productive hourly rate calculations did not weigh the average rates by employee classification. Instead, all employee classifications were weighted at the same level as if they all performed the reimbursable

activities to the same extent, which is not reasonable. As explained in Finding 11 (Overstated Productive Hourly Rates), we recalculated the average productive hourly rates based on employees actually involved and the extent of their involvement in calculating and collecting enrollment fee activities, and made adjustments to the claimed rates.

#### **Activity 5—Collecting delinquent enrollment fees**

##### *Time Increments*

Using certification forms developed by the district's mandated cost consultant, district employees estimated the time required to perform reimbursable Activity 5. Based on these certifications, the district developed time allowances per student account of 5.50 minutes for FY 1998-99, 4.70 minutes per student account for FY 1999-2000, 4.30 minutes per student account for FY 2000-01, 4.50 minutes per student account for FY 2001-02, 4.90 minutes per student account for FY 2002-03, 4.80 minutes per student account for FY 2003-04, 5.20 minutes per student account for FY 2004-05, and 18.25 minutes per student account for FY 2005-06, to collect delinquent enrollment fees in the Business Service Office. The district did not claim any costs for this activity in its claims for FY 2006-07 through FY 2009-11.

The district indicated that it was unable to describe the procedures in place to collect students' delinquent fee payments for FY 1998-99 through FY 2005-06. Although the district did not claim any costs for this activity in its claims for FY 2006-07 through FY 2009-10, the Accounting Manager explained that the district sent delinquent accounts to the CCCCCO, which referred the accounts to the Franchise Tax Board for collection. The district also did not claim costs for this activity in its claim for FY 2010-11. However, the district began using a private collection company during that year to collect delinquent fees.

We did not observe Activity 5 being performed during our observations at the Business Service Office. However, based on the procedures in place and the information gathered during our discussions with district representatives, the time claimed appears reasonable.

##### *Multiplier Calculation*

For Activity 5, the district provided, and we accepted, the number of delinquent student accounts processed during the audit period because they appeared to be reasonable.

##### *Productive Hourly Rates*

Consistent with the information presented for Activities 1 through 4, the district also overstated the annual average productive hourly rates in its claims during the audit period for Activity 5. As explained in Finding 11, we recalculated the annual average productive hourly rates based on employees actually involved in calculating, and collecting enrollment fee

activities and the extent of their involvement and made adjustments to the claimed rates.

**Activity 6**—Providing a refund for students who establish fee waiver eligibility after the enrollment fee has been collected

#### *Time Increments*

Using certification forms developed by the district's mandated cost consultant; district employees estimated the time required to perform reimbursable Activity 6 for FY 1998-99 through FY 2005-06. Based on these certifications, the district developed time allowances per refund transaction of 5.40 minutes for FY 1998-99, 4.90 minutes for FY 1999-2000, 4.50 minutes for FY 2000-01, 5.10 minutes for FY 2001-02, 5.60 minutes for FY 2002-03, 5.70 minutes for FY 2003-04, 6.30 minutes for FY 2004-05, and 6.20 minutes for FY 2005-06. The district did not claim any costs for this activity in its claims for FY 2006-07 through FY 2010-11.

In order to obtain a refund, students are required to fill out a "Request for Refund" form. The student must indicate the type of refund he or she is requesting (fees paid by BOGW, drop in semester units, course cancelled, SGA student discount card, overpaid fees, drop school, parking permit, or any other reason). For FY 1998-99 to FY 2004-05, department staff at each individual college was responsible for manually calculating the requested refund amount. After the refund was manually calculated, the department staff would send the requested refunds to the District Office. The District Office would match the request to the refund before mailing out the refund checks. Beginning in FY 2005-06, district staff no longer manually calculated the refund amount. The Billing/Cashier Technician enters the students' requests into the district's computer system and the Accounting Manager at the Business Services Office runs a report to process all refunds once a week. As in the prior years, the District Office staff matches the request to the student to verify that the student is entitled to the refund before the check is sent out.

We did not observe Activity 6 being performed during our observations at the Business Services Office. Based on information obtained during our discussions with district staff, we found that the time claimed for this component during the audit period appears reasonable.

#### *Multiplier Calculation*

For Activity 6, the district provided and we accepted the number of refunds processed for students who established fee waiver eligibility after paying their enrollment fees because they appeared to be reasonable.

### Productive Hourly Rates

Consistent with the information presented for Activities 1 through 4, the district also overstated the annual average productive hourly rates used in its claims for Activity 6 during the audit period. As explained in Finding 11, we recalculated the annual average productive hourly rates based on employees actually involved and the extent of their involvement in calculating and collecting enrollment fee activities, and made adjustments to the claimed rates.

### Calculation of Time Increments Adjustment

The following table summarizes the minutes claimed and allowable for reimbursable Activities 1 through 6:

Reimbursable Activity	Claimed								FY 2006-07 and FY 2007-08		FY 2009-10 and FY 2010-11	
	FY 1998-99	FY 1999-2000	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06				
1	4.10	4.30	4.20	4.10	4.40	4.50	4.60	5.50	5.50	6.00	6.00	
2	4.30	4.30	4.00	4.10	4.20	4.60	4.60	6.00	6.00	-	6.10	
3	3.20	3.70	3.50	3.30	3.50	3.80	4.00	4.70	4.70	4.90	4.90	
4	3.20	3.30	3.30	2.90	3.20	3.20	3.10	3.70	3.70	4.60	4.60	
Subtotal, Activities 1-4	14.80	15.60	15.00	14.40	15.30	16.10	16.30	19.90	19.90	15.50	21.60	
5	5.10	4.70	4.30	4.50	4.90	4.80	5.20	18.25	-	-	-	
6	5.40	4.90	4.50	5.10	5.60	5.70	6.30	6.20	-	-	-	
Subtotal, Activities 5 and 6	10.50	9.60	8.80	9.60	10.50	10.50	11.50	24.45	-	-	-	
Total Time Increments Claimed for Activities 1-6	25.30	25.20	23.80	24.00	25.80	26.60	27.80	44.35	19.90	15.50	21.60	

  

Reimbursable Activity	Allowable								FY 2006-07 and FY 2007-08		FY 2009-10 and FY 2010-11	
	FY 1998-99	FY 1999-2000	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06				
1	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	
2	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	
3	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	
4	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	
Subtotal, Activities 1-4	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	
5	5.10	4.70	4.30	4.50	4.90	4.80	5.20	18.25	-	-	-	
6	5.40	4.90	4.50	5.10	5.60	5.70	6.30	6.20	-	-	-	
Subtotal, Activities 5 and 6	10.50	9.60	8.80	9.60	10.50	10.50	11.50	24.45	-	-	-	
Total Time Increments Allowable for Activities 1-6	12.54	11.64	10.84	11.64	12.54	12.54	13.54	26.49	2.04	2.04	2.04	
Difference	(12.76)	(13.56)	(12.96)	(12.36)	(13.26)	(14.06)	(14.26)	(17.86)	(17.86)	(13.46)	(19.56)	

### Calculation of Multiplier Adjustment

The following table summarizes the claimed, allowable, and adjustment amounts for the multiplier for each reimbursable activity that took place at the district during the audit period for reimbursable Activities 1 through 6:

Reimbursable Activity	Claimed Multiplier	Allowable Multiplier	Adjusted Multiplier
1	515,582	771,833	256,251
2	277,448	370,052	92,604
3	815,698	771,833	(43,865)
4	346,772	370,052	23,280
5	28,738	28,738	-
6	4,587	4,587	-
Total	1,988,825	2,317,095	328,270

### Calculation of Hours Adjustments

We multiplied the allowable minutes per activity by the multiplier for the reimbursable activities (as identified in the table above) to compute the number of allowable hours for reimbursable Activities 1 through 6.

The following table summarizes the claimed and allowable hours for the audit period:

Reimbursable Activity	Hours Claimed	Hours Allowable	Adjusted Hours
1	46,551.96	6,560.59	(39,991.37)
2	24,356.73	3,145.45	(21,211.28)
3	56,661.52	6,560.59	(50,100.93)
4	22,304.44	3,145.45	(19,158.99)
5	2,394.14	2,394.14	-
6	431.76	431.76	-
Total	152,700.55	22,237.98	(130,462.57)

### Calculation of Costs by Reimbursable Activities

For Activities 1 and 3, we multiplied the allowable minutes by net student enrollment to compute the number of hours spent to perform the activities for FY 1998-99 through FY 2010-11. We then multiplied the hours spent times the audited average productive hourly rates to compute allowable costs for salaries and benefits. We found net student enrollment by excluding non-residents and special part-time students from total student enrollment. The CCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCO identifies the district's enrollment based on the CCCCO's MIS data element STD 7, codes A through G. The CCCCO eliminates any duplicate students based on their Social Security numbers. We also took into account the number of students who paid their enrollment fees using the district's on-line system or by telephone based on a report that was prepared for us by district staff.

For Activities 2 and 4, we multiplied the allowable minutes by the adjusted net student enrollment to compute the number of hours spent to perform the activities for FY 1998-99 through FY 2010-11. We then multiplied the hours spent times the audited productive hourly rates to compute allowable costs for salaries and benefits. To compute adjusted net student enrollment, we deducted from net student enrollment the number of students who were exempt from paying enrollment fees because they received a BOGG fee waiver. We obtained the number of students in the district who received BOGG fee waivers each year from the CCCCO based on data the district reported. The CCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F.

We applied the audited average productive hourly rates to the allowable hours per reimbursable activity. We found that salaries and benefits totaling \$628,962 are allowable and \$5,047,162 is unallowable.

The following table summarizes the claimed and allowable salary and benefit costs by reimbursable activity for the audit period:

Reimbursable Activity	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
1	\$ 1,832,905	\$ 195,337	\$ (1,637,568)
2	898,529	84,042	(814,487)
3	2,018,330	195,337	(1,822,993)
4	840,777	84,042	(756,735)
5	71,887	58,086	(13,801)
6	13,696	12,118	(1,578)
Total	<u>\$ 5,676,124</u>	<u>\$ 628,962</u>	<u>\$ (5,047,162)</u>

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### **FINDING 4— Enrollment Fee Waivers: Preparing Policies and Procedures Cost Component – unallowable one-time costs**

The district claimed \$15,216 in salaries and benefits during the audit period for the one-time activity of preparing district policies and procedures for determining which students are eligible for waiver of the enrollment fee. We found that \$6,254 is allowable and \$8,962 claimed for FY 2008-09 is unallowable.

Costs claimed for FY 1999-2000 through FY 2005-06 were allowable because they were below our threshold of materiality for testing. Costs claimed during this time period consist of 149.5 estimated hours spent by various district staff to perform the reimbursable activity.

Costs claimed for FY 2008-09 are material and are primarily unallowable because they were based on estimates of time to perform the reimbursable activity. The costs were not incurred to align the district's policies and procedures due to Board of Governors Fee Waiver Program and Special Programs Manual updates. The manual was updated in FY 2003-04, FY 2005-06, and FY 2009-10. The costs claimed were based on 141 hours spent by fourteen district staff, including the Director of Admissions and Records and the Director of Enrollment Services. District staff in these offices did not perform the reimbursable activity of waiving student fees during the audit period. The district did not provide any information explaining what district policies and procedures were

prepared. For costs to be reimbursable, the district must provide actual cost documentation supporting the extent that it incurred costs for changes in district policies and procedures to which resulted from changes in state law. Activities undertaken by the district to update its own policies and procedures regarding the waiver of enrollment fees are unallowable.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 1,094	\$ 1,094	\$ -
2000-01	1,086	1,086	-
2001-02	1,040	1,040	-
2002-03	959	959	-
2003-04	981	981	-
2004-05	839	839	-
2005-06	255	255	-
2008-09	8,962	-	(8,962)
Total, salaries and benefits	<u>\$ 15,216</u>	<u>\$ 6,254</u>	<u>(8,962)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were “created at or near the same time the actual cost was incurred for the event or activity in question.” (See Finding 1 for the specific language).

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

The parameters and guidelines (section IV.B.1.a–Reimbursable Activities, Enrollment Fee Waivers–One-Time Activities–Policies and Procedures) state that the preparation of policies and procedures is reimbursable as a one-time activity for determining which students are eligible for waiver of the enrollment fees. The CSM Final Staff Analysis for the Proposed Parameters and Guidelines dated January 13, 2006, for the onetime activity of adopting policies and procedures, states “. . . staff finds that updates to the policies and procedures would be subject to change in the community college district’s policy rather than state law, and would not be reimbursable.”

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 5—  
Enrollment Fee  
Waiver: Staff  
Training Cost  
Component –  
unallowable one-time  
costs**

The district claimed \$20,913 for the one-time activity of staff training (once per employee) for district staff who implemented the program on the procedures for determining which students are eligible for waiver of the enrollment fee. We found that \$10,296 is allowable and \$10,617 claimed for FY 2008-09 is unallowable.

Costs claimed for FY 1999-2000 through FY 2005-06 were allowable because they were below our threshold of materiality for testing. Costs claimed during this time period consisted of 334 estimated hours spent by various district staff to perform the reimbursable activity.

Costs claimed for FY 2008-09 are material and are primarily unallowable because they were based on estimates of time to perform the reimbursable activity. The district did not provide documentation related to the nature of the training, the length of the training, which district employees attended the training, or whether any of the costs related to trainers' time. We also found that the costs were not incurred to train staff on updates to the Board of Governors Fee Waiver Program and Special Programs Manual.

The costs claimed were based on 226 hours spent by twenty-three district staff, including the Director of Admissions and Records and the Director of Enrollment Services. District staff in these offices did not perform the reimbursable activity of waiving student fees during the audit period. In addition, five district staff included in the FY 2008-09 claim were already included in the FY 2005-06 claim. The district did not explain why some staff were claimed multiple times for an activity that is reimbursable one-time per employee.

For costs to be reimbursable, the district must document the extent to which it incurred costs for training new district staff that implement the program on the procedures for determining which students are eligible for the waiver of the enrollment fees. Activities undertaken by the district to train employees on updates to its own policies and procedures regarding the waiver of enrollment fees are unallowable.



The following table summarizes the claimed, allowable, and audit adjustment amounts for the one-time reimbursable costs for the Enrollment Fee Waivers–staff training cost component:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 1,722	\$ 1,722	\$ -
2000-01	1,475	1,475	-
2001-02	1,168	1,168	-
2002-03	1,198	1,198	-
2003-04	1,669	1,669	-
2004-05	1,885	1,885	-
2005-06	1,179	1,179	-
2008-09	10,617	-	(10,617)
Total, salaries and benefits	<u>\$ 20,913</u>	<u>\$ 10,296</u>	<u>\$ (10,617)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were “created at or near the same time the actual cost was incurred for the event or activity in question.” (See Finding 1 for the specific language).

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

The parameters and guidelines (section IV.B.1.b–Reimbursable Activities–Enrollment Fee Waivers–One-Time Activities–Staff Training (one time per employee) state that staff training is reimbursable as a one-time cost per employee for training district staff who implement the program on the procedures for determining which students are eligible for waiver of the enrollment fee. Consistent with the Final Staff Analysis, training existing staff for changes in the community college districts policies and procedures is not reimbursable.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 6—  
Enrollment Fee  
Waivers: Adopting  
Procedure, Recording  
Maintaining Records  
cost component –  
unallowable ongoing  
costs**

The district claimed \$114,892 in salaries and benefits related to adopting procedures, recording, and maintaining records related to enrollment fee waivers. We found that \$22,152 is allowable and \$92,740 is unallowable.

The costs claimed for FY 1999-2000 through FY 2004-05 are allowable because they were below our threshold of materiality for testing.

Costs claimed for FY 2008-09 are material and are primarily unallowable because they were based on estimates of time to perform the reimbursable activities totaling 2,270 hours spent by twenty-four district staff. We worked with the Director of Financial Aid to determine the tasks involved during the audit period to perform the reimbursable activities to adopt new district procedures based on changes in eligibility for BOGG fee waivers, store new BOGG fee-waiver records, and the time required to complete them.

We found that before the beginning of the Fall and Spring semesters, the Director of Financial Aid, the Assistant Director of Financial Aid, and the Systems Analyst attended district-wide financial aid meetings. These meetings covered all types of financial aid topics, including changes in eligibility or changes in documentation requirements for BOGG fee waivers. If there are changes to be implemented in the district's computer systems, the System Analyst is responsible for implementing those changes. These meetings were all day and occurred 8 hours per day, twice per year.

Based on our interviews with the Director of Financial Aid, we found the following employee classifications and allowable hours for the reimbursable activity of Adopting Procedures:

- 8 hours for the Director of Financial Aid,
- 8 hours for the Assistant Director of Financial Aid, and
- 8 hours for the Program Systems Analyst 2 classifications.

Accordingly, we calculated allowable costs for FY 2008-09 based on these employees and their level of involvement in the reimbursable activities. While the district did not claim any costs under this cost component for FY 2005-06 through FY 2007-08 and for FY 2009-10 through FY 2010-11, we found that the reimbursable activities were performed by the same three employees described above during these fiscal years. Therefore, we applied the audited productive hourly rates to the allowable hours per classification to compute allowable costs. The district provided productive hourly rates for the staff not originally claimed.

The following table summarizes the claimed, allowable, and audit adjustment amounts related to adopting procedures, recording, and maintaining records related to enrollment fee waiver costs:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 3,145	\$ 3,145	\$ -
2000-01	2,722	2,722	-
2001-02	2,689	2,689	-
2002-03	2,651	2,652	-
2003-04	1,549	1,549	-
2004-05	1,678	1,678	-
2005-06	-	1,163	1,160
2006-07	-	1,195	1,160
2007-08	-	1,209	1,160
2008-09	100,458	1,471	(98,987)
2009-10	-	1,348	1,348
2010-11	-	1,331	1,331
Total, salaries and benefits	<u>\$ 114,892</u>	<u>\$ 22,152</u>	<u>\$ (92,828)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were “created at or near the same time the actual cost was incurred for the event or activity in question.” (See Finding 1 for the specific language).

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

The parameters and guidelines (section IV.B.2.a–Reimbursable Activities–Enrollment Fee Waivers–Ongoing Activities) allow ongoing activities related to the following:

Adopting procedures that will document all financial assistance provided on behalf of students pursuant to chapter 9 of title 5 of the California Code of Regulations; and including in the procedures the rules for retention of support documentation that will enable an independent determination regarding accuracy of the districts certification of need for financial assistance.

Recording and maintaining records that document all of the financial assistance provided to students for the waiver of enrollment fees in a manner that will enable an independent determination of the district’s certification of the need for financial assistance.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 7—  
Enrollment Fee  
Waivers: Waving  
Student Fees cost  
component –  
unallowable ongoing  
costs**

The district claimed \$2,878,026 in salaries and benefits for the Waiving Student Fees cost component during the audit period in accordance with Education Code section 76300, subdivisions (g) and (h), and waiving student fees for students who apply for and are eligible for BOGG fee waivers. We found that \$1,004,554 is allowable and \$1,873,472 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities. In addition, we noted variations in the number of students used in the district's calculations based on data the district reported to the CCCCCO. We made adjustments to the student data and also to the average productive hourly rates used in the district's claims.

The following table summarizes the overstated ongoing costs related to waiving student fees by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 144,155	\$ 18,640	\$ (125,515)
2000-01	168,677	20,945	(147,732)
2001-02	229,421	38,935	(190,486)
2002-03	269,131	73,225	(195,906)
2003-04	294,711	80,070	(214,641)
2004-05	301,359	92,865	(208,494)
2005-06	338,327	94,325	(244,002)
2006-07	185,551	93,125	(92,426)
2007-08	193,473	104,025	(89,448)
2008-09	189,038	107,889	(81,149)
2009-10	301,383	131,430	(169,953)
2010-11	262,800	149,080	(113,720)
Total, salaries and benefits	<u>\$ 2,878,026</u>	<u>\$ 1,004,554</u>	<u>\$ (1,873,472)</u>

The parameters and guidelines (section IV.B.2.b–Reimbursable Activities–Enrollment Fee Waivers–Ongoing Activities) allow the following ongoing reimbursable activities:

- A. Waiving student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h). Waiving fees for students who apply for and are eligible for BOG fee waivers.
  - i. Answering student's questions regarding enrollment fee waivers or referring them to the appropriate person for an answer. **[Activity 7]**

- ii. Receiving of waiver applications from students by mail, fax, computer online access, or in person, or in the form of eligibility information processed by the financial aid office. **[Activity 8]**
- iii. Evaluating each application and verification documents (dependency status, household size and income, SSI and TANF/CalWorks, etc.) for compliance with eligibility standards utilizing information provided by the student, from the student financial aid records (e.g., Free Application for Federal Student Aid (FAFSA), and other records. **[Activity 9]**
- iv. In the case of an incomplete application or incomplete documentation, notify the student of the additional required information and how to obtain that information. Hold student application and documentation in suspense file until all information is received. **[Activity 10]**
- v. In the case of an approved application, copy all documentation and file the information for further review or audit. Entering the approved application information into district records and / or notifying other personnel performing other parts of the process (e.g., cashier's office). Providing the student with proof of eligibility or an award letter, and file paper documents in the annual file. **[Activity 11]**
- vi. In the case of a denied application, reviewing an evaluating additional information and documentation provided by the student if the denial is appealed by the student. Provide written notification to the student of the results of the appeal or any change in eligibility status. **[Activity 12]**

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were “created at or near the same time that actual costs were incurred for the event or activity in question.” (See Finding 1 for the specific language.)

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

### **Salaries and Benefits**

The district claimed salaries and benefits during the audit period to waive student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h) and to waive fees for students who apply for and are eligible for BOGG fee waivers. For FY 1999- 2000 through FY 2010-11, the district claimed salaries and benefits for five of the six reimbursable activities under the Waiving Student Fees cost component using time allowances developed from estimated time it took staff to complete reimbursable activities through the use of employees’ annual survey forms. The district did not claim any costs during the audit period for Activity 12, appealing a denied fee waiver application.

Employees estimated the average time in minutes it took them to perform the five reimbursable activities claimed per student per year on certification forms developed by the district's mandated cost consultant. District staff who completed the survey forms included employees in the Admissions and Records department. However, staff in this department did not perform the reimbursable activities involved with waiving student fees during the audit period. To compute the average time increment for each of the five reimbursable activities claimed, all of the employee's time estimates were added together and the total was divided by the number of employees who provided estimates. The district did not provide any source documentation based on actual data to support the estimated time allowances. In addition, the district provided no evidence indicating that the average time increments were verified for reasonableness.

As the mandated activities took place at the district during the audit period, we assessed whether or not the time estimates cited by district staff for FY 1999-2000 through FY 2010-11 were reasonable. We held discussions with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Financial Aid Office that processes students' BOGG fee waiver applications. We documented the average time increments spent by district staff to perform these activities based on our observations.

In applying the time allowances, the district did not report the correct number of students who received BOGG fee waivers. We recalculated reimbursable activities using the correct number of students who received BOGG fee waivers (multiplier). We also made adjustments to the average productive hourly rates that were used in the district's claims. Based on this information, we determined that the district overstated salaries and benefits by \$1,004,554 for the audit period.

### **Activities 7 through 12–BOGG Fee Waiver Application Processing**

#### *General Information*

We found that the district may process some students multiple times if the student first applies for a BOGG fee waiver and is denied for BOGG fee waiver A or BOGG fee waiver B. The district receives paper BOGG fee waiver applications at the Financial Aid Department through its front counters, through a drop box located at the front counter, and/or via fax. Most applications are in paper form and manually processed by district staff.

#### **Activity 7–Answering student questions**

We observed Student Hourly staff, Financial Aid Technicians, and Financial Aid Assistants helping students who applied in person for a BOGG fee waiver. At the front counters, staff answer BOGG fee waiver questions, evaluate BOGG fee waiver applications, notify students of

approved, incomplete, and denied applications, and/or inform students of additional information necessary to complete the BOGG fee waiver application. We also observed staff answer questions for students who submitted their BOGG fee waiver applications through the drop box or via fax.

#### **Activity 8**–Receiving enrollment fee waiver applications

In addition to the paper BOGG fee waiver applications noted above that are received at the Financial Aid Department, the district also receives information in digital form for students that applied for financial aid and qualified for a BOGG fee waiver using the U.S. Department of Education's Free Application for Federal Student Aid (FAFSA) system. Except for the data received from FAFSA, all of the applications received at the district are in paper form and manually processed by district staff.

#### **Activity 9**–Evaluating waiver applications and verifying documentation

The Student Hourly staff, Financial Aid Technicians, and Financial Aid Assistants evaluate and verify the BOGG fee waiver applications received by district staff. District procedures do not require that students submit any supporting documentation for BOGG fee waivers to be approved. However, the Financial Aid Technicians and Financial Aid Assistants evaluate FAFSA applications throughout the year. Therefore, while evaluating the financial aid applications, district staff verifies BOGG fee waiver eligibility through the verification requirements required for financial aid applications.

We determined that the district may process and evaluate some students' BOGG fee waiver applications multiple times if the student first applies for a BOGG fee waiver and is denied for BOGG fee waiver A or BOGG fee waiver B, or if the student turns in an incomplete paper BOGG fee waiver application through the drop box or via fax.

#### **Activity 10**–Notifying students of additional required information, in the case of an incomplete application

District staff reviews BOGG fee waiver applications at the front counter. If an application is incomplete, staff will guide the student through the various steps to complete the application in order to determine the student's eligibility for a waiver of enrollment fees.

If a student previously submitted a BOGG fee waiver application via fax or through the drop box and it was incomplete, the application is not filed separately to be easily accessible. The incomplete applications are stored in the same box with other incomplete applications, as well as approved and denied BOGG fee waiver applications. The staff requires the student to come back with a new completed BOGG fee waiver application.

As mentioned above, the district may process incomplete applications for the same student several times. The district processes paper BOGG applications only; therefore, the staff notifies a student of additional documentation requirements only if the student has applied for a FAFSA,

their financial aid application has been randomly selected for verification, and the student file shows documents needed to complete the financial aid application process.

**Activity 11**—Copying all documentation and filing the information for further review, in the case of an approved application

The district does not file the paper BOGG fee waiver applications. The approved, denied, and incomplete BOGG fee waiver applications are randomly stored together in boxes.

If the district determines that a student is eligible for a BOGG fee waiver, staff posts the fee waiver and create a “budget” for the student. In addition, during the FAFSA application process, the student’s information is loaded into the district’s student database from the FAFSA website. During the FAFSA application process, staff briefly reviews student information to ensure that a BOGG fee waiver is posted in the district’s system. If the student is eligible for a BOGG fee waiver, staff posts the BOGG waiver to the student’s account.

We observed staff answering student questions about BOGG fee waiver applications (Activity 7), receiving enrollment fee waiver applications (Activity 8), evaluating waiver applications (Activity 9), and storing all applications (approved, denied, and incomplete) all together in a box labeled with the respective fiscal year (Activity 11).

**Activity 12**—Appealing a denied BOGG fee waiver application

District staff explained that the district has no formal appeal process for denied BOGG fee waiver applications. According to the Financial Aid Director, there are very few denials. The denials usually result because the student’s and/or parent(s)’ income exceeds the eligibility threshold. If the waiver is denied, students are instructed to apply for financial aid using the FAFSA website.

#### *Time Increments*

Using certification forms developed by the district’s mandated cost consultant, district employees estimated the time required to perform the reimbursable activities. Based on these certifications, the district developed the following time allowances per student: 19.70 minutes for its FY 1999-2000 claim, 18.80 minutes for its FY 2000-01 claim, 16.80 minutes for its FY 2001-02 claim, 17.20 minutes for its FY 2002-03 claim, 17.00 minutes for its FY 2003-04 claim, 15.90 minutes for its FY 2004-05 through FY 2007-08 claims, and 14.90 minutes for its FY 2008-09 through FY 2010-11 claims. Based on our observations, we determined that the time allowances claimed for these years were overstated.

We held discussions with various district representatives during the audit in order to determine the procedures district staff followed to perform the reimbursable activities. We observed district staff at the front counters of the Financial Aid Office performing the reimbursable activities and other non-mandated activities. We documented the average time increments



spent by district staff for the reimbursable activities. Over several days, we observed 324 students assisted by Financial Aid Office staff. Of these, we observed 87 enrollment fee waiver transactions processed by district staff encompassing Activities 7 through 11 at the front counters of the Financial Aid Office, totaling 226.87 minutes. The average time to perform all five reimbursable activities at the front counter was 2.61 minutes, or .53 minutes per activity.

We also observed enrollment fee waiver applications processed by district staff in the back of the Financial Aid Office, totaling 13.57 minutes. The average time to perform all five reimbursable activities was 4.52 minutes, or .91 minutes per activity. After combining the number of transactions processed at the front and back counters of the Financial Aid Office and the time required to complete them, we found that the average time spent by the district's Financial Aid Office staff to perform all five reimbursable activities was 7.15 minutes, or 1.43 minutes per activity.

We discussed with district representatives our intention to observe a sample of staff performing Activities 7 through 11 and we encouraged the Director of Financial Aid to watch over the auditors while we documented our observations. We documented the average time increments spent by district staff to perform the reimbursable activities based on our observations. We reviewed the observations as they took place with the Director of Financial Aid. However, the Director did not have any comments or questions about our observations. In order to provide an actual cost basis on which to determine allowable costs for the district's claims, we applied the results of our observations to all years of the audit period.

#### *Batch Process*

The district's Financial Aid Office staff explained that data was downloaded during the audit period on a daily or weekly basis for BOGG fee waivers granted for students that applied for financial aid using the FAFSA system. For FY 1998-99 through FY 2007-09, the district did not provide any support on which to base allowable costs, such as explaining the steps required to perform this activity or who performed it for these years, only that the Program System Analyst monitored this process.

Working with district staff, we calculated additional allowable costs for performing the batch process of downloading FAFSA information for FY 2008-09 through FY 2010-11. We found that the district's Program Systems Analyst spent 3 hours per year performing Activities 7 through 11. The Program Systems Analyst explained that the district developed an automatic process in which all of the BOGG fee waivers granted through the FAFSA system would be downloaded to the district's computer system at 7:30 p.m. The set-up time for this process takes about 2 hours per year. In addition, the Analyst typically spent time on one or two system problems per year which took 20-30 minutes to resolve. Therefore, the district proposed, and we agreed, that 3 hours per year was reasonable for performing the batch process of downloading FAFSA information relating to BOGG fee waivers processed.

### Calculation of Time Increments Adjustment

The following table summarizes the minutes claimed and allowable for reimbursable Activities 7 through 12:

Reimbursable Activity	Claimed						Allowable	
	FY 1999-2000	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2008-09	FY 1999-2000
						Through FY 2007-08	Through FY 2010-11	Through FY 2010-11
7 Answering questions	6.30	6.00	5.60	5.40	4.80	4.40	3.50	1.43
8 Receiving applications	4.10	3.80	3.20	3.60	3.50	3.30	3.20	1.43
9 Evaluate applications	3.60	3.40	3.10	-	3.20	3.00	3.90	1.43
10 Incomplete applications - notification	-	-	-	3.20 <sup>1</sup>	-	-	-	1.43
11 Approved applications	5.70	5.60	4.90	5.00	5.50	5.20	4.30	1.43
12 Review waiver denials appealed by students	-	-	-	-	-	-	-	-
Total	19.70	18.80	16.80	17.20	17.00	15.90	14.90	7.15

<sup>1</sup> In FY 2002-03, the district mistakenly claimed time for incomplete applications. The time claimed relates to evaluating applications (Activity 9).

### Multiplier Calculation

For Activities 7 through 11, the district claimed costs by multiplying the number of BOGG fee waivers based on district records by a uniform time allowance and an annual average productive hourly rate. For Activities 7, 8, 9 and 11, the district used the number of students who received a BOGG fee waiver in its claims for the audit period. However, in FY 2002-03, the district inadvertently claimed 29,588 applications evaluated as Activity 10 (incomplete applications) instead of claiming them under Activity 9 (the number of applications evaluated). The district did not claim any costs for Activity 10 (incomplete BOGG fee waiver applications) during the audit period, except for the claiming error that it made in FY 2002-03. The district did not claim any costs for Activity 12 in its claims during the audit period.

For Activities 7 through 10, we applied the time required to perform the reimbursable activities by the number of students who received BOGG fee waivers, according to statistics provided by the CCCCCO. Using data that the district reported, the CCCCCO identified the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F. For Activities 7 through 10, we adjust the CCCCCO information by including students whose fee waiver applications were incomplete at the end of the year as well as denied applications, based on information provided by the district. However, the district indicated that it would not provide a count of the incomplete and denied applications at the end of the year.

For Activity 11 (approved BOGG fee waiver applications) we applied the time required to perform the reimbursable activity by the number of students who received BOGG fee waivers according to statistics provided by the CCCCCO. Using data that the district reported, the

CCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F.

For Activity 12 (appeals of denied BOGG fee waiver applications) we did not apply any time increments to the number of students that appealed denied BOGG fee waiver applications. The district did not claim any costs for this activity during the audit period and, as noted previously, the district does not have any process in place to review denied BOGG fee waiver applications. Rather than conduct a review of denied BOGG fee waivers, district staff instructs students to apply for financial aid.

### **Calculation of Multiplier Adjustment—Number of BOGG Fee Waivers**

The following table summarizes the claimed and allowable, and adjustment amounts for the multiplier for each reimbursable activity that took place at the district for reimbursable Activities 7 through 12:

Reimbursable Activity	Claimed Multiplier	Allowable Multiplier	Adjusted Multiplier
7	312,167	267,935	(44,232)
8	312,167	267,935	(44,232)
9	282,579	267,935	(14,644)
10	29,588	267,935	238,347
11	312,167	267,935	(44,232)
12	-	-	-
Audit adjustment	<u>1,248,668</u>	<u>1,339,675</u>	<u>91,007</u>

### **Productive Hourly Rates**

We also found that the district overstated the average productive hourly rates used for Activity 7 through 11 in its claims for the audit period. The district's average productive hourly rate calculations excluded some staff who performed the reimbursable activities. We determined that the district excluded employees (Student Hourly Workers) because they did not receive and complete a time survey form. In addition, the district's average productive hourly rate calculations did not weigh the average rates by employee classification. Instead, all employee classifications were weighted at the same level in the district's calculations as if they all performed the reimbursable activities to the same extent, which is not reasonable. As explained in Finding 11 (overstated productive hourly rates), we recalculated the average productive hourly rates based on the employees actually involved in the reimbursable activities and the extent of their involvement in processing BOGG fee waiver applications, and made minor changes to the claimed rates.

### **Calculation of Hours Adjustments**

We multiplied the allowable minutes per reimbursable activity by the multiplier for the reimbursable activities (as identified in the table above) to determine the number of allowable hours for reimbursable Activities 7 through 11.

The following table summarizes the claimed and allowable hours by reimbursable activity for the audit period:

Reimbursable Activity	Hours Claimed	Hours Allowable	Adjusted Hours
7	24,370.97	6,385.79	(17,985.18)
8	17,738.65	6,385.79	(11,352.86)
9	15,774.91	6,385.79	(9,389.12)
10	1,578.03	6,385.79	4,807.76
11	26,198.36	6,385.79	(19,812.57)
12	-	-	-
7-12 (Batch Processing)	-	9.00	9.00
Total	85,660.92	31,937.95	(53,722.97)

### Calculation of Costs by Reimbursable Activities

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We found that salaries and benefits totaling \$1,004,554 are allowable, and \$1,873,472 are unallowable.

The following table summarizes the claimed and allowable salary and benefit costs by reimbursable activity for the audit period:

Reimbursable Activity	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
7	\$ 802,950	\$ 200,844	\$ (602,106)
8	597,997	200,844	(397,153)
9	544,019	200,844	(343,175)
10	50,071	200,844	150,773
11	882,989	200,844	(682,145)
12	-	-	-
7-12 (Batch Processing)	-	334	334
Total	\$ 2,878,026	\$ 1,004,554	\$ (1,873,472)

### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 8—  
Enrollment Fee  
Waivers: Reporting to  
the CCCCCO the  
Number and Amounts  
Provided for BOGG  
Fee Waivers Cost  
Component –  
unallowable ongoing  
costs**

The district claimed \$113,358 in salaries and benefits related to the Reporting the Numbers of and Amounts of BOGG Fee Waivers to the CCCCCO cost component. We found that \$22,396 is allowable and \$90,962 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activity and claimed employee classifications that did not perform the reimbursable activity.

The following table summarizes the claimed, allowable, and audit-adjustment amounts related to reporting BOGG fee waivers to the CCCCCO:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-00	7,537	1,456	(6,081)
2000-01	6,404	1,456	(4,948)
2001-02	7,776	1,456	(6,320)
2002-03	7,992	1,682	(6,310)
2003-04	6,297	1,682	(4,615)
2004-05	5,322	2,016	(3,306)
2005-06	459	2,016	1,557
2006-07	-	2,016	2,016
2007-08	-	2,016	2,016
2008-09	71,571	2,200	(69,371)
2009-10	-	2,200	2,200
2010-11	-	2,200	2,200
Total, salaries and benefits	<u>\$ 113,358</u>	<u>\$ 22,396</u>	<u>\$ (90,962)</u>

**Salaries and Benefits**

*Costs Claimed*

For FY 1999-2000 through FY 2009-10, the district claimed salaries and benefits for reporting the numbers and amounts of BOGG fee waivers to the CCCCCO. The district estimated the hours per year spent by various employee classifications to perform the reimbursable activity using forms developed by the district's mandated cost consultant. The district did not provide any source documentation based on actual data to support the estimated time allowances. The district also claimed employee classifications that did not perform reimbursable activity. The district estimated a total of 3,170 hours in its claims for the audit period as follows: 370 in FY 1999-2000, 298 in FY 2000-01, 280 in FY 2001-02, 255 in FY 2002-03, 199 in FY 2003-04, 216 in FY 2004-05, 9 in FY 2005-06, and 1,543 in FY 2008-09.

Claimed costs were computed by multiplying the annual hours by the productive hourly rate for the various employee classifications.

### *Allowable Costs*

We found that the Program System Analyst performed the reimbursable activity of reporting BOGG fee waiver information to the CCCCCO during the audit period. We interviewed the district's Program Systems Analyst to determine the procedures followed to perform the reimbursable activities for this cost component. Based on our discussions with the Program Systems Analyst, we found that 40 hours were spent by this employee classification during each year of the audit period performing the reimbursable activities.

### *Reporting the Numbers and Amounts of BOGG Fee Waivers to the CCCCCO*

The Analyst explained that the reporting process begins by importing files to tables to be reviewed. The reporting process is performed once for each of three colleges. The Systems Analyst performs an initial review of the file, and the Director of Financial Aid may need to clarify data or inconsistencies. Reporting is based on MIS data element SF21. The Program Systems Analyst reports the numbers and amounts of BOGG fee waivers annually to the CCCCCO for the Enrollment Fee Waivers program. The district electronically submits files to the CCCCCO that contain the numbers and amounts of BOGG fee waivers the district processed during the year. The CCCCCO reviews the electronic files the district submitted to ensure that the information is complete and accurate. The Analyst explained that the reporting process is a high-priority project. Therefore, the Analyst focuses on this project with no interruptions and no other projects for at least a week. The Analyst then sends the number and amounts provided for BOGG fee waivers to the CCCCCO electronically. If the reporting passes the CCCCCO inspection, no further work is necessary.

However, an error report may be generated if discrepancies, incomplete information, and/or inaccurate information are found. If an error report is generated, the district must repeat the report process again. In this case, the district downloads the error report from the CCCCCO's website and researches the discrepancies. For example, district staff explained that there may be issues with the programming and that the Analyst may resolve this type of issue alone. However, if there are issues with the data, e.g., the data may be missing BOGG A waivers, the Analyst calls the Financial Aid Director for clarification. This may occur while the staff is finalizing BOGG A applications in the system.

The district indicated that it could not provide the number of errors researched or the actual time that was necessary to research the errors because they are random and unique in nature. Once the review process is complete, the error report is resubmitted to the CCCCCO's server.

Using the Program Systems Analyst's productive hourly rate for each year of the audit period, we calculated allowable costs of \$22,396, and found that claimed costs were overstated by \$90,962 for the audit period.

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time the actual cost was incurred for the event or activity in question. (See Finding 1 for the specific language.)

The parameters and guidelines (section V.A.1-Claim Preparation and Submission-Direct Cost Reporting-Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

The parameters and guidelines (section IV.B.2.c – Reimbursable Activities – Enrollment Fee Waivers – Ongoing Activities) allow ongoing activities related to “Reporting to the CCC the number of and amounts provided for BOG fee waivers. (Cal. Code Regs., tit. 5, § 58611.)”

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### **FINDING 9— Unallowable indirect costs**

The district claimed indirect costs during the audit period totaling \$2,578,726 for enrollment fee collection activities and \$1,423,992 for enrollment fee waiver activities. For enrollment fee collection activities, we found that \$219,256 is allowable and \$2,359,470 is unallowable. For enrollment fee waiver activities, we found that \$409,539 is allowable and \$1,014,453 is unallowable. The costs are unallowable because the district overstated its indirect cost rates for FY 1998-99 through FY 2010-11 and understated its indirect cost rate in FY 2007-08. The audit adjustment for indirect cost rate differences totaled \$143,453 (overstated by \$149,720 and understated by \$6,267). The audit adjustment for unallowable salaries and benefits identified in Findings 1 through 8 totaled \$3,230,470.

#### *Indirect Cost Rates Claimed*

The district overstated its indirect cost rates for FY 1998-99 through FY 2010-11 and understated its indirect cost rate for FY 2007-08. For the audit period, the district claimed indirect costs using the SCO’s FAM 29C methodology, although the district made calculation errors throughout the audit period. For FY 2003-04 through FY 2006-07, we used the audited indirect cost rates that were identified in the audit report dated August 20, 2010, for SCO’s audit of the district’s Health Fee Elimination Program claims for those years.

We summarized the common errors related to indirect costs that we found in the district's claims for FY 1998-99 through FY 2008-09:

- For FY 2006-07 and FY 2008-09, the district correctly used the actual year California Community Colleges Annual Financial Budget Report – Expenditures by Activity Report (CCFS-311) when calculating its indirect cost rates. However, the district incorrectly used prior year CCFS-311 reports for the remaining years of the audit period to calculate its indirect cost rates.
- For FY 2007-08 and FY 2008-09, the district calculated its indirect cost rates by using total direct costs as the base instead of salaries and benefits. The SCO's claiming instructions for those fiscal years requires the use of salaries and benefits as the base.
- For FY 2004-05 and FY 2005-06, the district failed to include depreciation or use allowance amounts for building and equipment in its indirect cost rate calculations. This information originates within the notes to the district's audited financial statements. For FY 2007-08 and FY 2009-10 through FY 2010-11, the district used depreciation and use allowance amounts from the prior year's audited financial statements instead of current year amounts to compute its indirect cost rates.

The specific errors made are as follows:

- FY 1998-99 through FY 2003-04
  - Misclassified costs within the account groups of Instruction, Instructional Administration, Instructional Support Services, Admissions and Records, Counseling and Guidance, Other Student Services, Community Relations, Staff Services, Non-Instructional Staff Benefits and Retirement Incentives, Community Services, and Ancillary Services as indirect. However, all costs within these account groups should be classified as direct costs.
  - Misclassified 100% of the costs within account group Operation and Maintenance of Plant as indirect. The SCO's claiming instructions allow claimants the option of using 7% of the expenses reported within this account group as indirect costs or a higher expense percentage if the district can support the higher amount. However, the district did not provide any support for using a percentage higher than 7%.
  - Misclassified costs within the account group of Physical Property Acquisitions as indirect. However, costs within this account group are unallowable for the purposes of calculating a FAM-29C indirect cost rate.



- FY 2004-05 through FY 2008-09
  - Misclassified costs within the account groups of Instructional Activities, Instructional Administration & Instructional Governance, Instructional Support Services, Admissions and Records, Student Counseling and Guidance, Other Student Services, Community Relations, and Ancillary Services as indirect. However, all costs within these account groups should be classified as direct costs.
  - Misclassified costs within the account group of Physical Property Acquisitions as indirect. However, costs within this account group are unallowable for the purposes of calculating a FAM-29C indirect cost rate.

We recalculated the indirect costs rates for FY 1998-99 through FY 2002-03 and FY 2007-08 through FY 2010-11 using SCO's FAM 29C methodology. In addition, we used indirect cost rates from the previously identified audit report for FY 2003-04 through FY 2006-07. Our calculations show that the district misstated its indirect cost rates for the audit period.

The following table summarizes the claimed, allowable, and audit adjustments for indirect cost rates:

Fiscal Year	Claimed			Allowable			Difference
	Indirect Cost Rate Claimed	Calculated Rate using Base of	CCFS-311 Used	Indirect Cost Rate Allowable	Calculated Rate using Base of	CCFS-311 Allowable	
1998-99	66.87%	Total Dir. Cost	Prior Year	26.30%	Total Dir. Cost	Actual Year	-40.57%
1999-2000	55.25%	Total Dir. Cost	Prior Year	24.01%	Total Dir. Cost	Actual Year	-31.24%
2000-01	51.24%	Total Dir. Cost	Prior Year	22.14%	Total Dir. Cost	Actual Year	-29.10%
2001-02	49.63%	Total Dir. Cost	Prior Year	22.74%	Total Dir. Cost	Actual Year	-26.89%
2002-03	48.94%	Total Dir. Cost	Prior Year	22.07%	Total Dir. Cost	Actual Year	-26.87%
2003-04	39.43%	Total Dir. Cost	Prior Year	24.46%	Total Dir. Cost	Actual Year	-14.97%
2004-05	42.89%	Total Dir. Cost	Prior Year	39.58%	Total Dir. Cost	Actual Year	-3.31%
2005-06	39.91%	Total Dir. Cost	Prior Year	39.42%	Total Dir. Cost	Actual Year	-0.49%
2006-07	42.33%	Total Dir. Cost	Actual Year	42.14%	Total Dir. Cost	Actual Year	-0.19%
2007-08	42.33%	Total Dir. Cost	Prior Year	46.41%	Sal. & Ben.	Actual Year	4.08%
2008-09	46.23%	Total Dir. Cost	Actual Year	44.92%	Sal. & Ben.	Actual Year	-1.31%
2009-10	46.23%	Sal. & Ben.	Prior Year	44.67%	Sal. & Ben.	Actual Year	-1.56%
2010-11	46.06%	Sal. & Ben.	Prior Year	45.32%	Sal. & Ben.	Actual Year	-0.74%

### *Enrollment Fee Collection*

The district claimed \$2,578,726 for indirect costs during the audit period, related to salaries and benefits claimed for enrollment fee collection activities. We determined that \$219,256 is allowable and \$2,359,470 is unallowable. We determined that \$76,518 is unallowable because the district miscalculated rates, and \$2,282,952 is unallowable due to the unallowable salaries and benefits identified in Findings 1 through 8.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs related to enrollment fee collection by fiscal year:

Fiscal Year	Enrollment Fee Collection				Audit Adjustment
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Indirect Cost	Allowable Indirect Cost	
1998-99	66.87%	26.30%	\$ 82,046	\$ 7,813	\$ (74,233)
1999-2000	55.25%	24.01%	93,575	9,792	(83,783)
2000-01	51.24%	22.14%	83,797	9,589	(74,208)
2001-02	49.63%	22.74%	100,279	12,657	(87,622)
2002-03	48.94%	22.07%	106,709	10,267	(96,442)
2003-04	39.43%	24.46%	100,131	12,439	(87,692)
2004-05	42.89%	39.58%	109,188	23,389	(85,799)
2005-06	39.91%	39.42%	214,662	18,583	(196,079)
2006-07	42.33%	42.14%	302,155	15,016	(287,139)
2007-08	42.33%	46.41%	326,872	21,515	(305,357)
2008-09	46.23%	44.92%	358,713	25,726	(332,987)
2009-10	46.23%	44.67%	381,253	26,506	(354,747)
2010-11	46.06%	45.32%	319,346	25,964	(293,382)
Total			<u>\$ 2,578,726</u>	<u>\$ 219,256</u>	<u>\$(2,359,470)</u>

#### *Enrollment Fee Waivers*

The district claimed \$1,423,992 for indirect costs during the audit period related to salaries and benefits claimed for enrollment fee waivers activities. We determined that \$409,539 is allowable and \$1,014,453 is unallowable. We determined that \$66,935 is unallowable because the district miscalculated rates, and \$947,518 is unallowable due to the unallowable salaries and benefits identified in Findings 1 through 8.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs related to enrollment fee waivers by fiscal year:

Fiscal Year	Enrollment Fee Waivers				Audit Adjustment
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Indirect Cost	Allowable Indirect Cost	
1999-2000	55.25%	24.01%	\$ 87,105	\$ 6,256	\$ (80,849)
2000-01	51.24%	22.14%	92,418	6,129	(86,289)
2001-02	49.63%	22.74%	120,151	10,298	(109,853)
2002-03	48.94%	22.07%	137,978	17,593	(120,385)
2003-04	39.43%	24.46%	120,345	21,024	(99,321)
2004-05	42.89%	39.58%	133,424	39,296	(94,128)
2005-06	39.91%	39.42%	135,782	39,001	(96,781)
2006-07	42.33%	42.14%	78,544	40,596	(37,948)
2007-08	42.33%	46.41%	81,897	49,775	(32,122)
2008-09	46.23%	44.92%	175,972	50,113	(125,859)
2009-10	46.23%	44.67%	139,330	60,295	(79,035)
2010-11	46.06%	45.32%	121,046	69,163	(51,883)
Total			<u>\$ 1,423,992</u>	<u>\$ 409,539</u>	<u>\$ (1,014,453)</u>

The parameters and guidelines (section V.B.–Claim Preparation and Submission–Indirect Costs) state:

Indirect costs are costs that have been incurred for common or joint purposes. . . . Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, “Cost Principles of Education Institutions”; (2) the rate calculated on State Controller’s Form FAM-29C; or (3) a 7% indirect cost rate.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### **FINDING 10— Misstated offsetting reimbursements**

The district claimed offsetting reimbursements totaling \$1,091,653 for enrollment fee collection and \$3,165,247 for enrollment fee waivers. We determined that offsetting reimbursements were misstated by \$291,619 (overstated by \$316,359 and understated by \$24,740) for enrollment fee collection and misstated by \$1,690,056 (overstated by \$1,700,355 and understated by \$10,299) for enrollment fee waivers. The offsetting reimbursements were misstated because the district did not report the correct amounts that it received from the California Community Colleges Chancellor’s Office (CCCCO) for enrollment fee collection or enrollment fee waivers in any fiscal year of the audit period.

#### *Enrollment Fee Collection*

For the audit period, the district claimed offsetting reimbursements for enrollment fee collection related to the offset of 2% of revenues from enrollment fees. We obtained a report from the CCCCCO confirming enrollment fee collection offsets paid to the district totaling \$957,326 during the audit period.

We limited the application of offsetting reimbursements received by the district to allowable direct and indirect costs. Allowable direct and indirect costs applicable for the audit period related to enrollment fee collection activities totaled \$848,218. The offsets applicable to the audit totaled \$800,034. The district claimed \$1,091,653. Consequently, the district misstated offsetting reimbursements by \$291,619 (overstated by \$316,359 and understated by \$24,740).

The following table summarizes the misstated enrollment fee collection offsetting reimbursements by fiscal year:

Enrollment Fee Collection Offsets					
Fiscal Year	Allowable Direct and Related Indirect Costs (A)	Offsets Claimed (B)	Actual Offsets Confirmed by the CCCCCO (C)	Offset Applicable to Audit (D)	Audit Adjustment (E) = (D-B)
1998-99	\$ 37,520	\$ (38,351)	\$ (51,529)	\$ (37,520)	\$ 831
1999-2000	50,577	(37,640)	(45,905)	(45,905)	(8,265)
2000-01	52,902	(43,809)	(45,949)	(45,949)	(2,140)
2001-02	68,317	(36,360)	(45,471)	(45,471)	(9,111)
2002-03	56,786	(37,849)	(43,073)	(43,073)	(5,224)
2003-04	63,294	(90,847)	(66,442)	(63,294)	27,553
2004-05	82,482	(139,386)	(97,768)	(82,482)	56,904
2005-06	65,723	(132,491)	(99,312)	(65,723)	66,768
2006-07	50,650	(136,298)	(93,929)	(50,650)	85,648
2007-08	67,873	(107,062)	(85,290)	(67,873)	39,189
2008-09	82,996	(102,225)	(92,094)	(82,996)	19,229
2009-10	85,844	(98,606)	(99,098)	(85,844)	12,762
2010-11	83,254	(90,729)	(91,466)	(83,254)	7,475
Total	<u>\$ 848,218</u>	<u>\$ (1,091,653)</u>	<u>\$ (957,326)</u>	<u>\$ (800,034)</u>	<u>\$ 291,619</u>

Consequently, the unused portion of offsetting reimbursements related to enrollment fee collection costs total \$157,292 as follows:

Fiscal Year	Actual Offsets Confirmed by the CCCCCO (A)	Offset Applicable to Audit (B)	Unused Portion of Offsets (A-B)
1998-99	\$ (51,529)	\$ (37,520)	\$ (14,009)
1999-2000	(45,905)	(45,905)	-
2000-01	(45,949)	(45,949)	-
2001-02	(45,471)	(45,471)	-
2002-03	(43,073)	(43,073)	-
2003-04	(66,442)	(63,294)	(3,148)
2004-05	(97,768)	(82,482)	(15,286)
2005-06	(99,312)	(65,723)	(33,589)
2006-07	(93,929)	(50,650)	(43,279)
2007-08	(85,290)	(67,873)	(17,417)
2008-09	(92,094)	(82,996)	(9,098)
2009-10	(99,098)	(85,844)	(13,254)
2010-11	(91,466)	(83,254)	(8,212)
Total	<u>\$ (957,326)</u>	<u>\$ (800,034)</u>	<u>\$ (157,292)</u>

#### Enrollment Fee Waivers

For the audit period, the district claimed offsetting reimbursements for enrollment fee waivers related to 7% or 2% of the enrollment fees waived and \$0.91 per credit unit waived. We obtained a report from the CCCCCO confirming enrollment fee waivers offsets paid to the district totaling \$3,366,807 for the audit period. We also limited the application

of offsetting reimbursements received by the district to allowable direct and indirect costs. Allowable direct and indirect costs applicable to the audit period related to enrollment fee waivers activities totaled \$1,475,191; therefore, this amount represents offsets applicable to the audit period. The district claimed \$3,165,247. Consequently, the district misstated offsetting reimbursements by \$1,690,056 (overstated by \$1,700,355 and understated by \$10,299).

The following table summarizes the misstated enrollment fee waiver offsetting reimbursements by fiscal year:

Enrollment Fee Waivers Offsets					
Fiscal Year	Allowable Direct and Related Indirect Costs (A)	Offsets Claimed (B)	Actual Offsets Confirmed by the CCCCCO (C)	Offset Applicable to Audit (D)	Audit Adjustment (E) = (D-B)
1999-2000	\$ 32,313	\$ (157,654)	\$ (171,389)	\$ (32,313)	\$ 125,341
2000-01	33,813	(180,364)	(189,646)	(33,813)	146,551
2001-02	55,586	(242,015)	(170,612)	(55,586)	186,429
2002-03	97,309	(281,932)	(178,722)	(97,309)	184,623
2003-04	106,975	(301,541)	(288,128)	(106,975)	194,566
2004-05	138,579	(311,083)	(350,442)	(138,579)	172,504
2005-06	137,939	(340,220)	(322,119)	(137,939)	202,281
2006-07	136,932	(185,551)	(343,771)	(136,932)	48,619
2007-08	157,025	(193,473)	(317,544)	(157,025)	36,448
2008-09	161,673	(151,374)	(314,282)	(161,673)	(10,299)
2009-10	195,273	(436,194)	(349,790)	(195,273)	240,921
2010-11	221,774	(383,846)	(370,362)	(221,774)	162,072
Total	<u>\$1,475,191</u>	<u>\$ (3,165,247)</u>	<u>\$ (3,366,807)</u>	<u>\$ (1,475,191)</u>	<u>\$ 1,690,056</u>

Consequently, the unused portion of offsetting reimbursements related to enrollment fee waivers costs total \$1,891,616 as follows:

Fiscal Year	Actual Offsets Confirmed by the CCCCCO (A)	Offset Applicable to Audit (B)	Unused Portion of Offsets (A-B)
1999-2000	\$ (171,389)	\$ (32,313)	\$ (139,076)
2000-01	(189,646)	(33,813)	(155,833)
2001-02	(170,612)	(55,586)	(115,026)
2002-03	(178,722)	(97,309)	(81,413)
2003-04	(288,128)	(106,975)	(181,153)
2004-05	(350,442)	(138,579)	(211,863)
2005-06	(322,119)	(137,939)	(184,180)
2006-07	(343,771)	(136,932)	(206,839)
2007-08	(317,544)	(157,025)	(160,519)
2008-09	(314,282)	(161,673)	(152,609)
2009-10	(349,790)	(195,273)	(154,517)
2010-11	<u>(370,362)</u>	<u>(221,774)</u>	<u>(148,588)</u>
Total	<u>\$ (3,366,807)</u>	<u>\$ (1,475,191)</u>	<u>\$ (1,891,616)</u>

The parameters and guidelines (section VII-Offsetting Savings and Reimbursements state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including, but not limited to services fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

Enrollment Fee Collection Program:

The cost of the Enrollment Fee Collection program are subject to an offset of two percent (2%) of the revenue from enrollment fees (Ed. Code, 76000, subd.(c))

Enrollment Fee Waiver Program:

The costs of the Enrollment Fee Waiver program are subject to the following offsets:

July 1, 1999 to July 4, 2000:

- For low income students<sup>2</sup> or recipients of public assistance<sup>3</sup>, or dependents or surviving spouses of National Guard soldiers killed in the line of duty<sup>4</sup> as defined:
  - an offset identified in Education Code section 76300, subdivision (m), that requires the community college Board of Governors, from funds in the annual budget act, to allocated to community college two percent (2%) of the fees waived, under subdivision (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined] of section 76300; and
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined), or dependents or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived:
  - from funds provided in the annual State Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to seven (7%) of the fee waivers provided, pursuant to subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined]. <sup>5</sup>

Beginning July 5, 2000:

- For low-income students (as defined), or recipient of public assistance (as defined) or dependent or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived (as defined):
  - an offset identified in Education Code section 76300, subdivision (m), that requires the Community College Board

of Governors, from funds in the annual budget act, to allocate to community colleges two (2%) of the fees waived, under subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents of California National Guard soldiers killed in the line of duty as defined] of section 76300;

- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined) for whom fees are waived:
  - requires the Board of Governors to allocate from funds in the annual State Budget Act ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or California National Guard soldiers killed in the line of duty as defined].
- Any budget augmentation received under the Board Financial Assistance Program Administrative Allowance, or any other state budget augmentation received for administering the fee waiver program.

Note – Footnotes 2 through 5 are included in the parameters and guidelines to provide additional clarification.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district report the applicable offsetting reimbursements for the Enrollment Fee Collection and Waivers Program on its mandated cost claims based on information provided by the CCCCCO.

#### **FINDING 11— Overstated productive hourly rates for Calculating and Collecting Enrollment Fees and Waiving Student Fees cost components**

For the audit period, the district calculated average productive hourly rates separately for employees involved in calculating and collecting enrollment fees (Activities 1 through 6) and for employees involved in waiving student fees (Activities 7 through 12). However, the district overstated the average productive hourly rates in its claims for the audit period.

##### *Productive Hourly Rates Claimed*

For FY 1998-99 through FY 2004-05, the district claimed productive hourly rates based on budgeted rather than actual salary and benefit amounts. For FY 2005-06 through FY 2010-11, we were unable to determine how the district calculated its productive hourly rates because the district did not provide any support for the productive hourly rates claimed.

The district calculated its average productive hourly rates during the audit period using a straight average methodology. In its calculations, the

district did not weigh the involvement of the various employee classifications that performed the reimbursable activities. Instead, all employee classifications were weighted at the same level, as if they all performed the reimbursable activities to the same extent. For example, by calculating average productive hourly rates using a straight average methodology, the involvement of Supervisors was weighted at the same level as other district staff who actually performed most of the reimbursable activities. We believe that using a straight-average methodology to compute an average productive hourly rate for district staff that performed the reimbursable activities at widely varying levels does not provide a reasonable result.

The district also included some staff in its calculations who did not perform the reimbursable activities and excluded some staff who did perform the reimbursable activities. The district's productive hourly rate calculations combined staff and Supervisors from the Business Services Office and the Financial Aid Office and used these rates to claim costs for both enrollment fee collection and enrollment fee waivers activities. During our observations of the reimbursable activities being performed at the district, we noticed that the district used Student Hourly Workers to perform some of the reimbursable activities. However, Student Hourly Workers were not included in the district's average productive hourly rate calculations during the entire audit period.

#### *Allowable Productive Hourly Rates*

For FY 1998-99 through FY 2004-05, we recalculated productive hourly rates using actual salaries and benefits and actual productive hour information provided by the district. For FY 2005-06 through FY 2010-11, the district provided salary and benefit reports based on our request for supporting documentation. However, the documentation provided did not contain any salary and benefit information for certain employees who performed the reimbursable activities in various years for both enrollment fee collection and enrollment fee waivers activities.

We also requested that the district provide the actual productive hours worked for the staff claimed in order to complete our re-calculations of the productive hourly rates. However, the district did not provide productive hours information for the staff included in its claims for FY 2005-06 through FY 2010-11.

Therefore, we recalculated weighted average productive hourly rates based on the supporting documentation that the district did provide. For FY 2005-06 through FY 2010-11, we used 1,800 standard productive hours to compute productive hourly rates. We also recalculated average productive hourly rates separately for enrollment fee collection and enrollment fee waivers activities based on the level of involvement of Student Hourly Workers, Classified Staff, and Supervisors performing the reimbursable activities. The level of effort spent by the various employee classifications that we used in our calculations was based on our discussions with district staff concerning procedures in place to conduct the reimbursable activities and our observations of district staff actually performing the reimbursable activities.



District representatives expressed concern with this approach by stating that the makeup of district staff who performed the reimbursable activities during the current period is not the same as the staff who performed the reimbursable activities during the earlier years of the audit period. In addition, district representatives stated that Student Hourly Workers were only used during peak periods and only worked at the Bakersfield campus, not at the Cerro Coso or Porterville campuses. We provided the district an opportunity to review our weighted average productive hourly rates to more accurately reflect the weight of involvement for the various employee classifications that performed the reimbursable activities during the various years of the audit period. However, the district declined to review our weighted average productive hourly rates. In addition, the district did not provide any staffing information for us to consider to support any adjustments to our weight of involvement calculations for the earlier years of the audit period.

*Enrollment Fee Collection – Calculating and Collecting Student Enrollment Fees (Activities 1 through 6)*

As noted above, the district's average productive hourly rates for Calculating and Collecting Student Enrollment Fees included staff who did not perform the reimbursable activities (staff employed in the Financial Aid Office) and excluded staff who did perform the reimbursable activities (Student Hourly Workers). District representatives explained that the Student Hourly Workers were excluded from the district's claims because they did not receive a time survey form to complete. In addition, the district did not weigh its average productive hourly rates to the extent that the various employee classifications performed the reimbursable activities. Instead, all employee classifications were weighted at the same level as if they all performed the reimbursable activities to the same extent, which is not reasonable.

We made adjustments to the claimed productive hourly rates for individual staff members when the salary and benefit documentation provided by the district supported different rates than what was claimed. Even though the district's average productive hourly rate calculations included staff that worked in the Financial Aid Office, we did not exclude these staff from our weighted average calculations for enrollment fee collection activities. We did this in recognition of the fact that certain district employees at the smaller campus sites performed both enrollment fee collection and enrollment fee waivers activities. We requested information from the district as to where individual employees worked, however, the district did not provide this information.

We determined the following level of involvement by district staff to perform the reimbursable activities:

- Student Hourly Workers – We allocated a 14% weight of involvement for the Student Hourly Worker classification during the audit period based on our observations of the reimbursable activities being performed.

- Supervisory Staff – We determined the weight of involvement in the reimbursable activities by Supervisory staff, which ranged from 20% to 27% during the audit period.
- Classified Salaried Staff – We allocated the remaining weight of involvement to Classified Salaried Staff, which ranged from 59% to 66% during the audit period.

We provided the district with our analysis and requested that they advise us of any issues involving the weight of involvement percentages that we calculated, any variances in the level of effort for the different colleges in the district, and/or the different years during the audit period. As previously noted, the district expressed concerns about using the Student Hourly Workers' rates in our average weight calculations for enrollment fee collection activities. A district representative explained that costs for Student Hourly Workers are paid out of a Federal Work Study program. However, all staff performing the reimbursable activities should be included in the district's claims regardless of the source of funds used for salaries and benefits.

The district also indicated that "...the staffing level and operations observed in 2012 at the Bakersfield College Business Office are not representative of the audit years in question..." In addition, the district commented that "...the Bakersfield Business Office is the only campus to utilize students as cashiers and only during peak periods..." However, it was our observation that most of the reimbursable activities surrounding the collection of enrollment fees from students occurred during "peak periods." In addition, we requested staffing information relative to the various campus sites, however, the district did not provide us with any staffing information to consider.

The following table summarizes the changes that we made to average productive hourly rates for enrollment fee collection activities by fiscal year:

Fiscal Year	Enrollment Fee Collection		
	Claimed	Audited	Audit
	Average Productive Hourly Rate	Average Productive Hourly Rate	
1998-99	\$ 19.85	\$ 17.90	\$ (1.95)
1999-2000	21.32	19.17	(2.15)
2000-01	21.94	22.18	0.24
2001-02	26.87	24.02	(2.85)
2002-03	29.03	25.65	(3.38)
2003-04	33.44	29.45	(3.99)
2004-05	35.03	31.82	(3.21)
2005-06	39.47	33.29	(6.18)
2006-07	44.39	29.75	(14.64)
2007-08	44.39	33.44	(10.95)
2008-09	41.88	36.75	(5.13)
2009-10	41.88	38.36	(3.52)
2010-11	41.88	37.69	(4.19)

Note: The district claimed the same average rate for FY 2008-09 through FY 2010-11.

*Enrollment Fee Waivers–Waiving Student Fees (Activities 7 through 12)*

As noted above, the district's average productive hourly rates for Waiving Student Fees also included staff who did not perform the reimbursable activities (staff employed in the Business Services Office) and excluded staff who did perform the reimbursable activities (Student Hourly Workers). District representatives explained that the Student Hourly Workers were excluded from the district's claims because they did not receive a time survey form to complete. In addition, the district did not weigh its average productive hourly rates to the extent that the various employee classifications performed the reimbursable activities. Instead, all employee classifications were weighted at the same level as if they all performed the reimbursable activities to the same extent, which is not reasonable.

We made adjustments to the claimed productive hourly rates for individual staff members when the salary and benefit documentation provided by the district supported different rates than what was claimed. Even though the district's average productive hourly rate calculations included staff that worked in the Business Services Office, we did not exclude these staff from our weighted average calculations for enrollment fee waivers activities. We did this in recognition of the fact that certain district employees at the smaller campus sites performed both enrollment fee collection and enrollment fee waivers activities. We requested information from the district as to where individual employees worked, however, the district did not provide this information.

We determined the following level of involvement by district staff to perform the reimbursable activities:

- Student Hourly Staff – We allocated an 18% weight of involvement for the Student Hourly Worker classification during the audit period based on our observations of the reimbursable activities being performed.
- Supervisory Staff – We determined the weight of involvement in the reimbursable activities by Supervisory staff, which ranged from 17.86% to 27.78% during the audit period.
- Classified Salaried Staff – We allocated the remaining weight of involvement to Classified Salaried Staff, which ranged from 54.2% to 64.1% during the audit period.

We provided the district with our analysis and requested that they advise us of any issues involving the weight of involvement percentages that we calculated, any variances in the level of effort for the different colleges in the district, and/or the different years during the audit period. The district provided productive hourly rates for the Student Hourly Staff classification for the audit period, as noted above for enrollment fee collection activities. We used the same Student Hourly staff rates for enrollment fee waivers activities that we used for enrollment fee collection activities. The district did not provide any additional support for the Student Hourly staff or comment on our calculated weight of involvement for the various employee classifications.

The following table summarizes the changes that we made to average productive hourly rates for enrollment fee waivers activities by fiscal year:

Fiscal Year	Enrollment Fee Waivers		
	Claimed Average Productive Hourly Rate	Audited Average Productive Hourly Rate	Audit Adjustment
1999-2000	\$ 21.64	\$ 18.95	\$ (2.69)
2000-01	20.72	20.55	(0.17)
2001-02	29.37	26.20	(3.17)
2002-03	31.73	28.23	(3.50)
2003-04	32.95	28.03	(4.92)
2004-05	34.00	29.86	(4.14)
2005-06	38.86	30.96	(7.90)
2006-07	39.73	30.05	(9.68)
2007-08	39.73	31.74	(7.99)
2008-09	40.69	36.18	(4.51)
2009-10	40.69	36.61	(4.08)
2010-11	40.69	38.29	(2.40)

Note: The district claimed the same average rate for FY 2008-09 through FY 2010-11.

The parameters and guidelines (section V–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) state that, for salaries and benefits, claimants are required to:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The SCO's claiming instructions state that one of three options may be used to compute productive hourly rates:

- Actual annual productive hours for each employee,
- The weighted-average annual productive hours for each job title, or
- 1,800 annual productive hours for all employees. (The 1,800 annual productive hours excludes time for paid holidays, vacation earned, sick leave taken, informal time off, jury duty, and military leave taken.)

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that productive hourly rates are calculated in accordance with the guidance provided in the SCO's claiming instructions.

**Attachment—  
District's Response to  
Draft Audit Report**

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OFFICE OF BUSINESS SERVICES  
2100 CHESTER AVENUE  
BAKERSFIELD, CA 93301-4099  
(661) 336-5117

May 27 2014

Mr. Jim L. Spano, Chief  
Mandated Costs Audits Bureau  
Division of Audits  
California State Controller  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Enrollment Fee Collection and Waivers  
FY 1998-99 through FY 2010-11  
Kern Community College District

Dear Mr. Spano:

We are in receipt of your draft audit report dated May 2, 2014 for the Kern Community College District, for the above-referenced program and fiscal years transmitted by the letter from Jeffrey V. Brownfield, Chief, Division of Audits, State Controller's Office.

Please be advised that the Kern Community College District will not be submitting a response to the draft audit report.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas Burke".

Thomas Burke, Chief Financial Officer  
Kern Community College District

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**